No. 15-

15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), the Court held that the defense of laches cannot be used to shorten the three-year copyright limitations period set forth in 17 U.S.C. § 507(b), observing that "we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974. In reaching its decision, the Court noted that the Federal Circuit follows a contrary rule in the patent setting, applying laches to bar infringement claims accruing within the six-year limitations period prescribed in 35 U.S.C. § 286, but stated: "[w]e have not had occasion to review the Federal Circuit's position." *Petrella*, 134 S. Ct. at 1974 n.15 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc)).

Following *Petrella*, the Federal Circuit convened en banc in this matter to consider the conflict between *Petrella* and *Aukerman*. All judges of the court agreed that there is "no substantive distinction material to the *Petrella* analysis" between the copyright and patent limitations periods. Pet. App. 18a. Nevertheless, in a 6-5 decision, the court reaffirmed its position in *Aukerman* and held that laches may be used to bar patent infringement claims accruing within the six-year limitations period.

The question presented is:

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

PARTIES TO THE PROCEEDING

All parties to the proceeding are identified in the caption.

RULE 29.6 STATEMENT

SCA Hygiene Products Aktiebolag is a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget SCA (publ.), which is traded on the Swedish stock exchange. No other publicly traded company owns 10% or more of the stock of SCA Hygiene Products Aktiebolag or SCA Personal Care, Inc.

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P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (West 1954), *reprinted in* 75 J. PAT. & TRADEMARK OFF. SOC'Y 161 (1993). 11, 21, 22

OPINIONS BELOW

The en banc opinion of the United States Court of Appeals for the Federal Circuit is reported at 807 F.3d 1311 and reprinted at Pet. App. 1a. The panel opinion is reported at 767 F.3d 1339 and reprinted at Pet. App. 67a. The opinion of the United States District Court for the Western District of Kentucky granting summary judgment is unreported but available at 2013 WL 3776173 and reprinted at Pet. App. 92a.

JURISDICTION

The court of appeals entered its judgment en banc on September 18, 2015. Pet. App. 1a. On November 23, 2015, the Chief Justice granted application 15A546, extending the time to file this petition to and including January 19, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

RELEVANT STATUTORY PROVISIONS

35 U.S.C. § 282 provides in relevant part:

> (b) Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> > (1) Noninfringement, absence of liability for infringement or unenforceability.
> >
> > (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251.

(4) Any other fact or act made a defense by this title.

35 U.S.C. § 286 provides in relevant part:

Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

PRELIMINARY STATEMENT

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), this Court held that laches is unavailable to bar copyright infringement claims brought within the Copyright Act's three-year limitations period. In doing so, the Court reiterated the common-law rule that laches cannot limit the recovery of legal damages and can be a threshold bar to equitable relief only "in extraordinary circumstances." *Id.* at 1974, 1977. The Court noted that the Federal Circuit was unique in following a contrary rule, applying laches to bar damages for patent

infringement claims brought within the Patent Act's six-year limitations period, 35 U.S.C. § 286. *Id.* at 1974 n.15 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029–31, 1039–41 (Fed. Cir. 1992) (en banc)). But the Court added: "[w]e have not had occasion to review the Federal Circuit's position." *Id.*

Following *Petrella*, the Federal Circuit convened en banc in this case to consider the conflict between *Petrella* and the Federal Circuit's prior decision in *Aukerman* approving the use of laches to bar legal relief on patent claims accruing within the statutory limitations period. Forty amici curiae filed nineteen briefs on the question. All judges agreed that there is "no substantive distinction material to the *Petrella* analysis" between the statutory limitations periods under the Copyright and Patent Acts. Pet. App. 18a. Nevertheless, the court reaffirmed *Aukerman*'s holding 6-5. As a result, not only is laches available to bar legal relief in patent cases such as this one, but it is presumed whenever other infringing acts began more than six years prior to suit. Pet. App. 8a–9a, 44a.

This case presents the proper occasion for review of the Federal Circuit's aberrant laches rule in patent cases. The Federal Circuit's sharply divided en banc ruling has entrenched a laches doctrine demonstrably at odds with *Petrella*. The Federal Circuit's patent law exceptionalism is strikingly similar to other Federal Circuit decisions that this Court has recently reviewed and reversed. Here, the Federal Circuit relied primarily on post-enactment commentary by a PTO official and secondarily on a handful of pre-Patent Act lower court decisions. But these references cannot trump the text, structure, and legislative history of the Patent Act itself, nor the

principles underlying this Court's repeated rejection of laches as a bar to legal relief. The issue is important and was exhaustively briefed and analyzed below, and this case is an excellent vehicle to resolve the issue presented. Certiorari is warranted.

STATEMENT OF THE CASE

A. STATUTORY BACKGROUND

1. Section 286 supplies the six-year statutory limitations period for patent infringement claims. The statute has roots in the nineteenth century. From 1870 to 1874, the patent laws briefly included a six-year limitations period, but in 1874 Congress codified all of the United States laws into the Revised Statutes, leaving out the patent statute of limitations. *Campbell v. City of Haverhill*, 155 U.S. 610, 613–14 (1895). As a result, the courts were left to themselves to determine the timeliness of a claim for patent infringement. A split developed, with some courts borrowing differing state limitations periods and others refusing to apply any limitations period at all. This Court resolved the controversy in *Campbell*, determining that, because Congress had not spoken, the proper course was to borrow from state law. 155 U.S. at 613.

Faced with a lack of national uniformity, Congress acted promptly, enacting a federal limitations period two years later. Act of Mar. 3, 1897, ch. 391, sec. 6, § 4921, 29 Stat. 692, 694. That provision, which is the predecessor to Section 286, stated in relevant part: "But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any

infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action . . . ." *Id.* The House Report accompanying the 1897 legislation emphasized the need for "a uniform statute of limitations" for patent infringement cases. H.R. REP. No. 940, at 2 (1896). The statute went through minor revisions over the next fifty years, and after the 1946 amendments, it read: "but recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action." Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778, 778.

2. In 1952, Congress consolidated the various statutory defenses to patent infringement into a single section, which became 35 U.S.C. § 282. The House and Senate Reports indicate that Congress intended no substantive change: "The defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the substance." H.R. REP. No. 82-1923, at 10 (1952); S. REP. No. 82-1979, at 8–9 (1952). At no time have the patent laws of the United States ever mentioned laches.

B. FACTUAL AND PROCEDURAL HISTORY

1. Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") manufacture and sell adult incontinence products worldwide, which are sold in the United States under the TENA® label. SCA inventors developed an innovative protective underwear design and patented the invention in U.S. Patent No. 6,375,646 ("the '646 patent"), which issued on April 23, 2002. A6816–A6826. (All A __ cites are to the Federal Circuit appendix.)

Respondents First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC (collectively, "First Quality") manufacture private label disposable products that emulate the products designed by the branded market leaders, such as SCA. *See, e.g.*, A0110–A0111; A1229:9–A1230:13; A1453. In 2003, SCA and First Quality exchanged correspondence relating to the '646 patent and First Quality's use of SCA's patented technology. A1156; A1158–A1160. First Quality took the position that SCA's patent was invalid in light of U.S. Patent No. 5,415,649 to Watanabe, *et al.* A1158–A1160. First Quality made no request for a further response from SCA. *Id.* According to First Quality, the matter "was never thought of again" after First Quality sent the letter. A1171:19–A1172:7.

Rather than file suit immediately, SCA sought guidance from the U.S. Patent and Trademark Office (PTO). On July 7, 2004, SCA filed a request for reexamination of its own patent in light of the Watanabe patent. A1174–A1175. Reexamination files are open to public inspection (37 C.F.R. § 1.11(c)–(d) (2004)), and the PTO notified the public of petitioners' reexamination request on August 24, 2004. A1177. Both the Internet and the PTO Intranet allow public access to determine whether a reexamination request has been filed for a particular patent.

The PTO took almost three years to conclude the reexamination, and on March 27, 2007, the PTO confirmed the validity of all original claims in the patent. The PTO also granted additional claims 29-38 at SCA's request. A1174–A1175. SCA filed suit in the United States District Court for the Western District of Kentucky on August 2, 2010, two years and four months after the reexamination

ended and six years and eleven months after SCA's initial letter to First Quality. *See* A0041 at D.I. 1.

2. Following discovery, First Quality moved for summary judgment on the defenses of laches and equitable estoppel. A0235–A0309. At that time, SCA had infringement claims pending with respect to original claims 1–11 and 15–25, as well as new claims 35–38. *See* A0346, A0382, and A0411. SCA opposed First Quality's motion, urging that there was no unreasonable delay because it sought reexamination of its own patent and submitting deposition testimony from nine witnesses to rebut the presumption of economic prejudice. *See, e.g.*, A1097–A1144; A1407–A1411; A1460–A1467. Nevertheless, the district court granted summary judgment in favor of First Quality on both estoppel and laches. A0001–A0021.

3. SCA appealed, and a panel of the Federal Circuit heard oral argument on April 8, 2014. On May 19, 2014, while the case was under submission, this Court issued its opinion in *Petrella*, holding that the equitable defense of laches cannot preclude an award of damages for copyright infringement during the Copyright Act's three-year limitations period, 17 U.S.C. § 507(b).[1] 134 S. Ct. at 1967–68. *Petrella* held that "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.*

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1. Section 507(b) of the copyright statute states: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b).

Like the Copyright Act, the Patent Act has a statutory limitations period: "[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . . ." 35 U.S.C. § 286. Accordingly, SCA filed a letter of supplemental authority, explaining that the logic of *Petrella* applies equally to patent cases and *Petrella* compels reversal of *Aukerman*. ECF No. 51. (All ECF No. __ cites are to the Federal Circuit docket for 13-1564.)

The panel reversed the grant of summary judgment on equitable estoppel and found, *inter alia*, a genuine issue of material fact as to whether First Quality had suffered economic prejudice in reliance on SCA's letter and the delay. Pet. App. 85a–91a. The panel found it persuasive that "SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence." Pet. App. 88a. Thus, "[a] reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action." *Id.*

While reversing on estoppel, the panel affirmed the grant of summary judgment on laches. The panel declined to address the viability of *Aukerman* following *Petrella*, stating that only the Supreme Court or the en banc court of appeals could do so. Pet. App. 76a. The panel then ruled that because the first act of infringement had occurred more than six years before suit, the *Aukerman* presumptions of unreasonable delay and prejudice were applicable and so barred all pre-suit damages. Pet. App. 76a–77a. Thus, while the panel found an issue of fact for

trial with respect to whether First Quality relied on SCA's conduct for purposes of estoppel, it found no issue of fact for trial on the virtually identical question of whether the delay caused First Quality any prejudice. Application of the Federal Circuit's unique laches presumption was outcome determinative. The decision barred SCA's claims for infringement during the reexamination, as well as those that accrued between the issuance of the reexamination certificate (which had newly issued claims) and institution of the suit.

4. SCA filed a combined petition requesting rehearing en banc to review and overrule *Aukerman* and rehearing en banc or panel rehearing to address the conflict between the panel's opinion and Federal Circuit precedent holding that summary judgment of laches is inappropriate when there is a dispute over the nexus between delay and economic prejudice. ECF No. 55. SCA asked the court to bar the use of laches as a defense to pre-suit damages or, in the alternative, revoke the laches presumptions. *Id.*

The Federal Circuit granted SCA's petition for rehearing en banc, vacating the panel's decision. ECF No. 76. The court declined to revisit the laches presumptions but agreed to consider whether to overrule *Aukerman* in light of *Petrella* and whether laches can bar patent infringement suits for damages or injunctive relief. *Id.*

5. Numerous amici filed briefs in support of both sides. The American Intellectual Property Law Association (AIPLA) filed a brief in support of SCA's position, arguing that there was no substantive difference between copyright and patent law and that *Petrella* mandated reversal of *Aukerman*. ECF No. 140. A group

of law professors with an interest in equity jurisprudence filed a brief examining the history of law and equity and reached the same result. ECF No. 112. In all, forty amici filed nineteen briefs below.

6. Sitting en banc, the Federal Circuit issued a sharply divided 6-5 decision reaffirming the vitality of laches as a defense to pre-suit patent damages claims. Chief Judge Prost wrote the opinion of the court and was joined by Judges Newman, Lourie, Dyk, O'Malley, and Reyna.[2] The majority examined *Petrella* and conceded that there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a. Nevertheless, the court retained its special laches rule in patent cases.

In reaching its conclusion, the court notably jettisoned most of the reasoning of *Aukerman*, which rested in large part on the assertion that the doctrine of laches was brought over into actions at law through the merger of law and equity. *Aukerman*, 960 F.2d at 1031–32. This Court had explicitly rejected that theory in *Petrella*. 134 S. Ct. at 1973–74. Instead, the majority took a different approach. Looking past the express timeliness provision of the Patent Act, § 286, the majority focused on § 282, interpreting the provision as evidencing Congressional intent to make patent law the only area of federal jurisprudence in which judges have the power to abridge a statutory limitations period. Pet. App. 18a–35a. Section 282 generally lists the defenses available in patent infringement actions, but does not mention laches or otherwise prescribe any limitations period, a subject which is covered by § 286.

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2. All participating members of the court joined in reversing the grant of summary judgment on estoppel.

The cornerstone of the majority's analysis is a brief statement in a commentary on § 282 prepared by P.J. Federico in 1954. P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (West 1954), *reprinted in* 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 217 (1993) [hereinafter "Federico Commentary"]. Mr. Federico was a PTO official who had helped Congress draft the 1952 Patent Act. Pet. App. 21a–22a. In describing § 282, *two years after its passage*, he wrote that "this would include the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and equitable defenses such as laches, estoppel and unclean hands." Pet. App. 20a (quoting Federico Commentary at 215). His brief comment does not address whether he (or Congress) intended laches to have its traditional role for equitable remedies or to be uniquely expanded to cover damages actions at law.

The majority also examined and relied on pre-Patent Act lower court decisions discussing the use of laches. The majority recognized the difficulty in interpreting these cases because there used to be two forms of action for patent infringement, an equitable action as well as a legal action. Pet. App. 28a–29a. The majority focused on several appellate decisions that had purportedly applied laches to bar claims for legal damages, arguing that congressional silence in the face of these decisions justified expanding the use of laches to claims for legal damages. Pet. App. 29a–35a.

Judge Hughes dissented in part, joined by Judges Moore, Wallach, Taranto and Chen. Judge Hughes began with the recognition that patent law is "governed by the same common law principles, methods of statutory

interpretation, and procedural rules as other areas of civil litigation." Pet. App. 45a. The dissenters criticized the majority for adopting "a patent-specific approach to the equitable doctrine of laches." *Id.*

With respect to the contention that Congress must have enacted lower court decisions into law during the passage of the 1952 Patent Act, the dissenters wrote:

> The majority's key logic—that Congress adopted the view of some lower courts that laches could bar legal relief in patent cases—requires us to presume that Congress ignored the Supreme Court. For in 1952, the Supreme Court had already recognized the common-law principle that laches cannot bar a claim for legal damages.

Pet. App. 46a.

A crucial difference between the majority and dissenting opinions is their approach to the burden necessary to create a unique patent-law rule. The dissent recognized that "[t]he Supreme Court has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a; *see also* Pet. App. 48a–49a ("[T]he Supreme Court has made it abundantly clear that there must be a particular justification in the statute before this court may announce special rules for patent cases that depart from other areas of civil litigation." (citations omitted)). Accordingly, the dissent carefully examined the Patent Act and its legislative history, demanding but not finding "compelling evidence" for a unique patent-law rule. Pet. App. 48a–49a.

The dissent began by examining § 286's timeliness rule, criticizing the majority for reading § 282's defenses in isolation. Pet. App. 49a. The dissent found the latter provision "ambiguous at best" and criticized the majority's approach to statutory construction, which "cannot turn on this kind of guesswork." Pet. App. 50a.

Finding the Federico Commentary ambiguous and of dubious value as a tool for divining legislative intent, the dissent turned to the majority's contention that Congress intended to enact lower court decisions into law *sub silentio*. The dissent declined to adopt that theory of statutory construction, which would interpret the Patent Act in derogation of a common-law rule clearly stated by this Court. Pet. App. 53a–59a. Moreover, the dissent concluded that the lower court decisions on which the majority relied were ambiguous or decided under a misinterpretation of the provisions merging law and equity. Pet. App. 59a–64a. The dissent concluded that "[f]ollowing the Supreme Court's longstanding precedent, I read § 286 to express Congress' exclusive judgment on the timeliness of a claim for damages." Pet. App. 66a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit's sharply-divided decision reaffirming the applicability of laches to patent infringement claims accruing within the six-year limitations period of § 286 conflicts with *Petrella* and a long line of the Court's other precedents. In *Petrella*, the Court observed that "we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974–75. The Court reiterated that, "[i]f Congress

explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter." *Id.* at 1973 (quoting *Holmberg v. Armbrecht*, 327 U.S. 392, 395–96 (1946) (explaining that "[t]he Congressional statute of limitation is definitive")). In enacting § 286, Congress has plainly put a specific timeliness limit on patent infringement actions without prescribing any role for the equitable laches doctrine. As this Court's decision in *Petrella* recognized, equity follows the law and where, as here, Congress has set down a legal time limitation, the courts are not free to shorten the period through an equitable laches device.

Rejecting the Court's approach in *Petrella* and the bedrock principles on which it stands, the Federal Circuit adopted in the decision below a special rule for patent infringement cases. While all members of the court agreed that the logic of *Petrella* applies equally to copyright and patent law, a narrow majority then refused to apply that logic. A spirited dissent criticized the majority for improperly adopting a "patent specific approach to the equitable doctrine of laches," which "overlooks Congress' intent and Supreme Court precedent." Pet. App. 45a. The Federal Circuit is deeply divided on an important and recurring issue of law over which it alone, among the courts of appeals, has jurisdiction to decide. Only this Court can resolve that controversy.

The majority's approach to statutory construction is inconsistent with this Court's precedent, leading it to commit four crucial errors in interpreting the Patent Act. *First*, the Act makes no reference to laches, and the court should have gone no further than reading the words of the statute.

Second, the legislative history demonstrates that Congress enacted the six-year statute of limitations in 1897 to create a uniform national rule for the timeliness of suit. Laches vitiates that easily administered rule, vesting courts with power to bar claims that Congress made timely.

Third, the cornerstone of the Federal Circuit's decision is the post-passage commentary of a PTO official who helped draft the legislation. This subsequent, isolated statement is not even legislative history and does not address the issue presented here—whether laches is available to bar damage claims at law, as opposed to claims for equitable relief.

Fourth, the Federal Circuit relied on a handful of vague lower court cases, decided at the time of the merger of law and equity. Those cases do not establish a dispositive rule and, in any event, conflict with this Court's precedents.

Finally, if this Court were to conclude that Congress intended to grant district courts discretion to bar pre-suit damages, it should address the standard for exercising that power. The Federal Circuit applies a presumption of delay and prejudice if infringement begins more than six years before suit. This presumption is unique in law, and there is no justification for it.

The question presented is an important issue reserved in *Petrella* but now ripe for determination. At issue is the vitality of a defense pled in numerous cases, as well as the standard for declaring special patent-specific rules of decision. The holding below, permitting

claims that are timely under § 286 to be turned away on laches grounds, undeniably encourages premature litigation. Litigants that take the time to pursue careful analysis of their claims, administrative review, or even settlement discussions before filing suit run the risk of having their statutorily viable claims denied on equitable timeliness theories. This case presents an ideal vehicle to resolve the question presented. The Federal Circuit has authoritatively decided en banc an issue that, absent direction from this Court or Congress, no other court can resolve. Likewise, this Court's decision is outcome-determinative in this particular controversy. The petition should be granted.

I. THE EN BANC DECISION CONFLICTS WITH THIS COURT'S DECISION IN *PETRELLA* THAT LACHES CANNOT BAR DAMAGES CLAIMS BROUGHT WITHIN A STATUTORY LIMITATIONS PERIOD.

Petrella considered whether laches can bar a damages claim brought within the Copyright Act's three-year limitations period, 17 U.S.C. § 507(b). The Court analyzed at length the history of the laches doctrine and the relationship between legal and equitable claims. The Court reaffirmed that Congress, not the courts, is the proper arbiter of timeliness in actions at law: "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period . . . courts are not at liberty to jettison Congress' judgment on the timelinesss of suit." *Petrella*, 134 S. Ct. at 1967. Thus, the Court held, laches "cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window." *Id.*

Petrella is the most recent in a long line of decisions addressing the proper relationship between law and equity. Courts developed laches in equity, and "its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973. That observation pertains to claims brought both before and after the merger of law and equity in 1938. In 1935, this Court held that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935). In 1946, the Court "cautioned against invoking laches to bar legal relief." *Petrella*, 134 S. Ct. at 1973 (describing *Holmberg*, 327 U.S. at 395). Almost forty years later, this Court noted "that application of the equitable defense of laches in an action at law would be novel indeed." *Cnty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985).

Like the Copyright Act, the Patent Act has a statutory limitations period. Section 286 provides: "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . ." 35 U.S.C. § 286. As the majority below stated, there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a.

Having concluded that the Copyright and Patent Act's statutory limitations periods were substantively identical, the Federal Circuit should have overruled *Aukerman* and abandoned its special laches rule in patent infringement cases. But rather than conform patent law to copyright law (and every other area of federal law), the court refused to modify its position. As the dissent pointedly noted, this

Court "has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a. Given this "Court's clear, consistent, and longstanding position on the unavailability of laches to bar damage claims filed within the statutory limitations period," the dissent reasoned, the Federal Circuit "should not do so here." *Id.*

As this Court's precedents make plain, the starting point in construing any federal statute is the words of the statute itself. In this instance, the statutory language is clear. It prescribes a six-year look-back period and neither makes any mention of, nor otherwise preserves any role for, the equitable laches doctrine. After this Court decided *Petrella*, that should have been the end of the analysis. But instead of following *Petrella*, the court below relied on misguided contextual evaluation of another statutory provision (§ 282), a misreading of the legislative history, ambiguous post-enactment commentary, and the canon of construction that statutes that invade the common law should be construed narrowly. None of these considerations, however, justify the court's departure from sound interpretative principles.

1. *Statutory Text.* The most basic rule of statutory construction is that, wherever possible, the words of a statute should be given their plain meaning. *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005); *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980). Here, the relevant statute is § 286, which provides a clear rule of decision concerning the timeliness of patent infringement claims. Claims for infringement occurring more than six years before suit are barred. This bright-line rule is easily administered

and provides clear guidance to litigants and the courts. Once Congress enacts such a clear statutory limitations period, that should be the "end of the matter." *Holmberg*, 327 U.S. at 395; *accord Petrella*, 134 S. Ct. at 1973.

The Federal Circuit refused to give primacy to the language of the statute of limitations, finding in § 282's enumerated defenses the judicial power to curtail § 286's six-year limitations period. Section 282, however, makes no mention of laches. And the majority paints § 282 with a very broad brush, failing to identify which specific words grant this unique power.[3] Because § 282 is unambiguous, "the authoritative statement is the statutory text, not the legislative history or any other extrinsic material." *Exxon Mobil*, 545 U.S. at 568.

Had Congress intended to include laches as a defense, it certainly knew how to do so. In 1946, Congress passed the Lanham Act, which explicitly states that "equitable principles, including *laches*, estoppel, and acquiescence, are applicable." 15 U.S.C. § 1115(b)(9) (emphasis added); *see also Petrella*, 134 S. Ct. at 1974 n.15 (noting "the Lanham Act . . expressly provides for defensive use of 'equitable principles, including laches'"). Many of the same members of the Lanham Act Congress participated in passing the Patent Act six years later. In 1952, however, Congress did not discuss laches, much less write the defense into the statute. Congress knows how to incorporate a laches

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3. The majority did not identify the specific portion of § 282 on which it relied. As the dissent noted, the only possible candidate for a legislative hook upon which to rest the majority's laches theory is § 282(b)(1), which identifies the defenses of "[n]oninfringement, absence of liability for infringement or unenforceability." Pet. App. 49a–50a.

defense when it wants to, but did not do so in enacting either §§ 282 or 286.

2. *Patent Law Exceptionalism.* The dissent correctly noted that maintaining a separate patent-law rule for laches would require compelling evidence that Congress intended to depart from traditional common-law principles—here, that laches applies only to equitable claims. Pet. App. 48a (citing *Nken* v. *Holder* 556 U.S. 418, 433 (2009) (applying the "presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident"); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982) ("[A] major departure from the long tradition of equity practice should not be lightly implied")). In this regard, patent law has proved a vexing area where the Federal Circuit has repeatedly created special, patent-specific rules without giving proper deference to the common law. *See Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836–40 (2015) (treatment of factual findings on appeal); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (exceptional case); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (injunctive relief). Here, there is no such compelling evidence.

Notably, the history behind § 286 provides no support for the proposition that Congress intended to create a unique patent-law rule. Indeed, the legislative history refutes this theory. From 1874 to 1897, there was no limitations period in the patent laws, so district courts filled the gap by applying analogous state statutes of limitations. *Campbell*, 155 U.S. at 613–14. The timeliness of suit varied from district to district, a situation Congress

found untenable. As a result, Congress enacted a six-year limitations period to "create a uniform statute of limitations." H.R. REP. No. 54-940, at 2 (1896); Act of Mar. 3, 1897, ch. 391, sec. 6, § 4921, 29 Stat. 692, 694. The language of the 1897 provision remains substantively the same today. There is no discussion in any of the legislative history in 1897, or later, indicating that Congress wanted to abandon the bright-line rule of a statutory limitations period.

3. *Post-Enactment "Legislative History."* In conducting its analysis, the Federal Circuit relied heavily on a few words in the 1954 Federico Commentary, in which Mr. Federico stated his view that the 1952 Patent Act intended to encompass "equitable defenses such as laches, estoppel and unclean hands." Pet. App. 9a, 20a (quoting Federico Commentary at 215).

Putting aside whether it is proper at all to refer to an ex post commentary by a PTO official, the comment does not answer the question presented here. There is no dispute that laches is available in exceptional cases to bar equitable claims for such remedies as injunctive relief. The court below, however, construed the statement expansively, presuming that Mr. Federico was also suggesting that Congress intended to approve the use of laches *in actions at law for damages*. Not only did Mr. Federico not say that expressly, the court's construction of his view stands in stark contrast to a long line of Supreme Court precedent.

Moreover, although it forms the cornerstone of the Federal Circuit's decision, the Federico Commentary is not even proper legislative history. Mr. Federico was

not a legislator and his comments came two years too late to shed light on legislative intent: "[p]ost-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011). And by its own terms, the commentary consists of Mr. Federico's private "opinions and views," not those of Congress or even the PTO. Federico Commentary at 162–63.

4. *Reliance on Lower Court Precedent at Odds with This Court's Precedents.* The Federal Circuit also relied heavily on the canon of construction that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." Pet. App. 24a (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) (internal quotation marks omitted)). But that principle applies only when the common-law principle is "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).

Here, the common law was that laches cannot bar claims for legal relief, a rule repeatedly reaffirmed by this Court. *Cross v. Allen*, 141 U.S. 528, 537 (1891); *Wehrman v. Conklin*, 155 U.S. 314, 326–27 (1894); *Mack*, 295 U.S. at 489; *Holmberg*, 327 U.S. at 395; *Petrella*, 134 S. Ct. at 1973–74. The only exception is where Congress has not enacted a limitations period, in which case courts may use laches to measure the timeliness of claims by reference to analogous state limitations periods. But that is not the case here.

The majority below posited a different common-law rule for patent infringement damage claims, asserting

that "the case law demonstrates that by 1952, courts consistently applied laches to preclude recovery of legal damages." Pet. App. 29a. Bereft of support from this Court's decisions, the majority turned to vague lower court decisions. Pet. App. 29a–32a. As stated by the dissent, "[n]early all of these decisions either apply laches under a misinterpretation of § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity." Pet. App. 59a.

For example, the majority relied heavily on *Ford* v. *Huff*, 296 F. 652 (5th Cir. 1924). Pet. App. 30a–31a. But *Ford* neither reflects the common law nor supports the majority's position. The plaintiff in *Ford* accepted payments from the defendant and thereby conveyed an intent to discharge his claim. 296 F. at 657. As a result, the Fifth Circuit concluded that the plaintiff was estopped from pursuing the claim. *Id.* at 656. Although the Fifth Circuit included the word "laches" in its decision, the real work was done through estoppel. Pet. App. 60a–61a.

Moreover, *Ford* was decided within the framework established by § 274b of the Judicial Code. Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (repealed 1938). Section 274b permitted the joinder of legal and equitable claims in one complaint, but was occasionally misinterpreted to permit the application of equitable defenses to legal claims. In 1935, this Court ruled that the provision was purely procedural in nature and did not change substantive legal principles. *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 282–83 (1988). Thus, *Ford* can be read as either an estoppel case (the better view) or a

misapplication of the relatively new merger statute, but it does not support the view that there was at that time a well-established, common-law practice of barring legal claims for patent infringement damages. *See* Pet. App. 60a–61a.

The other cases relied on by the majority fare no better. The dissent observed that *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934), "took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of" the new merger statute. Pet. App. 61a. Most of the remaining cases involved courts of equity barring a plaintiff's suit due to laches or involved an accounting, a remedy available in equity. *See* Pet. App. 62a.

Indeed, the use of laches in patent infringement actions at law was far from uniform by 1952; several courts had expressly rejected that position. *E.g.*, *Middleton v. Wiley*, 195 F.2d 844, 847 (8th Cir. 1952) (holding that "mere delay in seeking redress cannot destroy the right of the patentee to compensatory damages"); *Thorpe v. William Filene's Sons Co.*, 40 F.2d 269, 269 (D. Mass. 1930) (merger of law and equity did not permit pleading of laches in patent actions at law). In 1952, there was, at best, a circuit split.

II. THE FEDERAL CIRCUIT'S UNIQUE PRESUMPTIONS IN FAVOR OF LACHES ARE INCONSISTENT WITH THIS COURT'S EQUITY JURISPRUDENCE.

Even if courts have the power to curtail the six-year limitations period of § 286 through the application of

laches, they may not presume laches simply because an earlier infringement occurred before the statutory limitations period. This Court has never reviewed the Federal Circuit's unique and rigid presumption regime set out in *Aukerman*, the logic of which is deeply flawed. It should do so now.

The Federal Circuit held in *Aukerman* that when a first act of infringement occurs more than six years before suit, then the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The presumptions rest on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031–32.

This Court expressly rejected that rationale in *Petrella*. *Petrella* recognized that statutes of limitations, including the one in the Copyright Act, are governed by the separate-accrual rule. Under the separate-accrual rule, each infringement is a discrete tort, and "each infringing act starts a new limitations period." *Petrella*, 134 S. Ct. at 1969. The Ninth Circuit's presumption of laches in *Petrella*, like the presumption of laches here, conflicted with this separate-accrual rule. The Copyright Act's statute of limitations "makes the starting trigger an infringing act committed three years back from the commencement of suit, while laches," especially the presumption in favor of laches, "makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. Thus, even if the doctrine of laches had any continued vitality in relation to legal damages, there would be no basis for presuming unreasonable delay and prejudice with

respect to *new* acts of infringement occurring within the six-year damages window.

The presumptions work perverse results. Here, SCA is barred from suing for wrongs inflicted during a reexamination that it instituted to obtain the Patent Office's view on patentability, for infringement of claims which issued only at the conclusion of the reexamination, and even for infringement damages accruing the day before suit. The Federal Circuit held summary judgment was inappropriate on estoppel because of disputed issues of fact on reliance and prejudice, but that prejudice was presumed for laches. This all makes little sense.

Moreover, the *Aukerman* presumptions grow out of the view that a plaintiff who delays bringing suit is presumptively in the wrong and owes the court an explanation before being granted admission to the courthouse: "[T]his does not mean that a patentee may intentionally lie silently in wait watching damages escalate . . . ." *Aukerman*, 960 F.2d at 1033. But this Court rejected that view in *Petrella*, holding in the face of an eighteen-year delay that there is "nothing untoward about waiting to see whether an infringer's exploitation" causes harm, and that the limitations period is a sufficient remedy. *Petrella*, 134 S. Ct. at 1976. The *Aukerman* presumptions conflict with *Petrella*, and review is warranted.

III. THIS CASE PRESENTS AN ISSUE OF GREAT IMPORTANCE AND IS AN EXCELLENT VEHICLE FOR REVIEW.

1. There is a deep disagreement at the Federal Circuit, both with respect to the application of laches

and the standard to be employed when creating a rule specific to patent law. One wing of the court of appeals, represented by the five dissenters below, heeded this Court's admonitions and insisted on a high bar before adopting patent law exceptionalism. Pet. App. 45a–46a. The majority, however, afforded insufficient deference both to this Court's decisions and the will of Congress.

The decision below is in line with numerous other cases in which the Federal Circuit has created special patent-law rules without proper deference to traditional legal principles or Congress. *See, e.g.*, *Teva Pharm.*, 135 S. Ct. at 836–40; *Octane Fitness*, 134 S. Ct. at 1758; *eBay*, 547 U.S. at 391. *Aukerman* expressly lauded "the *discretionary* power" of judges while calling the congressional six-year bar of § 286 "an *arbitrary* limitation." *Aukerman*, 960 F.2d at 1030 (emphases in original). *Petrella*, however, takes the opposite view, holding that laches is "essentially gap-filling, not legislation-overriding." 134 S. Ct. at 1974. Courts should have recourse to laches only where Congress has failed to provide a timeliness rule. *Id.* at 1973–74. This Court should grant certiorari to bring Federal Circuit law into conformity with the common law and provide guidance as to when patent exceptions to traditional legal rules and principles are appropriate.

2. Because the Federal Circuit hears all cases arising under the patent laws, there is no opportunity for further percolation. And having revisited its laches jurisprudence in *Aukerman* in 1992 and in this case in 2015, it is unlikely to do so again for many decades. In the interim, numerous cases will be affected by the wrongly-decided decision below. The issue is so important that forty parties signed on to nineteen separate amicus briefs below. The amici

include private parties, important legal institutions, and law professors. The American Intellectual Property Law Association filed a brief in support SCA's position. ECF No. 140. A group of law professors with expertise in equity provided an erudite analysis of the division of law and equity and explained that *Aukerman* conflicted with *Petrella*. ECF No. 112. Following the decision below, the American Bar Association Committee on Patent Litigation issued a report stating that the decision "cannot be reconciled with the clear rule of *Petrella*" and was wrongly decided. Daniel Zaheer, *SCA Hygiene Subcommittee Report*, 2015 A.B.A. INTELL. PROP. L. PAT. LITIG. COMM. REP. 106, at 7 (2015), *available at* http://apps.americanbar.org/dch/thedl.cfm?filename=/PT011200/otherlinks_files/20151022_SCAHygieneRpt_Final.pdf [hereinafter "ABA Report"]. The ABA Report notes that "each of the rationales provided by the Federal Circuit is called into question by Supreme Court precedent." *Id.* Rarely do appellate decisions attract such attention and concern. Because of the significant interests at stake, certiorari is warranted.

3. Important policy considerations are also at issue. The majority below argued that public policy supports applying laches to prevent the prosecution of stale claims, citing amici who are typically patent infringement defendants. Pet. App. 38a. The majority thus gave credence to the policy arguments of those who support weakening the patent system without adequately considering the other side of the coin—patent holders who lack the wherewithal to take on expensive litigation or police infringement. The court also did not discuss this Court's express statement in *Petrella* that it is perfectly appropriate to wait and review the scope of infringement before launching expensive litigation. *Petrella*, 134 S. Ct.

at 1976. The decision below adopts the rule rejected by *Petrella*: "sue soon, or forever hold your peace." *Id.* Thus, the ABA quite reasonably worries that the decision below will impede efforts to resolve disputes amicably, out of court, before filing suit. ABA Report at 11. If even the delay required for PTO review of the validity of a patent can trigger laches, as it did here, then patent holders are forced to shoot first and ask questions later.

Most importantly, it is simply not the proper role of the Federal Circuit to weigh in equity a complex policy question like the timeliness of suit that Congress has already decided as a matter of law, let alone to vest in district courts an amorphous equitable discretion to decide which claims shall live and which shall die. In this information economy, where intellectual property is of tremendous importance and value, setting a rule on how long is too long to delay suit is a policy decision best left to the legislature, not the courts. At the end of the day, the courts must apply the prescriptions Congress has enacted. The role of the courts is to interpret statutes, not to rewrite them.

4. Finally, this case is an excellent vehicle for review of the question presented. SCA is conclusively barred from pursuing tens of millions of dollars in pre-suit damages due to the grant and affirmance of summary judgment. The question presented was fully vetted below through extensive briefing and oral argument before the en banc court. Numerous amici joined in the briefs below, and many have indicated that they intend to file briefs in this Court as well. There is virtually no chance that the Federal Circuit will revisit its holding for years to come. At this juncture, the question is now fully ripe for this Court's review.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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Dated: January 19, 2016

APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECIDED SEPTEMBER 18, 2015

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2013-1564

SCA HYGIENE PRODUCTS AKTIEBOLAG, SCA PERSONAL CARE, INC.,

Plaintiffs-Appellants,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC. AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants-Appellees.

September 18, 2015, Decided

REVERSED AND REMANDED.

Before PROST, Chief Judge, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, Circuit Judges.*

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* Circuit Judge Stoll did not participate in this decision.

Appendix A

OPINION

PROST, *Chief Judge.*

We convene en banc to resolve whether, in light of the Supreme Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014), laches remains a defense to legal relief in a patent infringement suit. We conclude that Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies. Accordingly, we have no judicial authority to question the law's propriety. Whether Congress considered the quandary in *Petrella* is irrelevant--in the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law. We must respect that statutory law.

Nevertheless, we must adjust the laches defense in one respect to harmonize it with *Petrella* and other Supreme Court precedent. We emphasize that equitable principles apply whenever an accused infringer seeks to use laches to bar ongoing relief. Specifically, as to injunctions, considerations of laches fit naturally within the *eBay* framework. In contrast, *Menendez v. Holt*, 128 U.S. 514, 9 S. Ct. 143, 32 L. Ed. 526, 1889 Dec. Comm'r Pat. 344 (1888), and *Petrella* counsel that laches will only foreclose an ongoing royalty in extraordinary circumstances.

I. BACKGROUND

The present dispute arose out of litigation concerning adult incontinence products. SCA alleges that First Quality, a competitor in the adult incontinence products

market, infringes U.S. Patent No. 6,375,646 ('646 patent). SCA first contended that First Quality's Prevail® All Nites[TM] product infringes the '646 patent in a letter sent to First Quality on October 31, 2003. The correspondence explained:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites[TM]. We believe that these products infringe claims of [the '646 patent].
>
> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites[TM] absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

J.A. 544.

First Quality responded on November 21, 2003 and claimed the patent was invalid:

> As you suggested, we studied [the '646 patent]. . . . In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

J.A. 547. SCA and First Quality ceased communications regarding the '646 patent after First Quality's response. However, on July 7, 2004, SCA requested reexamination of the '646 patent in light of the '649 patent. SCA did not notify First Quality of the reexamination because, in SCA's view, U.S. Patent and Trademark Office ("PTO") reexaminations are public and First Quality could follow the proceedings itself. Yet, from First Quality's point of view, SCA dropped its infringement allegations against First Quality after First Quality argued the patent was invalid in the November 21st letter.

The PTO instituted reexamination on the '646 patent and, on March 27, 2007, confirmed the patentability of all twenty-eight original claims and issued several other claims SCA added during reexamination. Meanwhile, First Quality invested heavily in its protective underwear

business. In 2006, First Quality expanded its line of adult incontinence products. In 2008, First Quality acquired Tyco Healthcare Retail Group LP, which had several lines of competing products, and in 2009 First Quality spent another $10 million to purchase three more lines of protective underwear products. SCA was aware of First Quality's activities, but never mentioned the '646 patent to First Quality during this time.

On August 2, 2010--over three years after reexamination concluded--SCA filed a complaint alleging that First Quality infringes the '646 patent. Service of the complaint was the first time in nearly seven years that SCA had communicated with First Quality regarding the '646 patent. The district court proceeded with discovery and issued a claim construction order. First Quality then moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion as to laches and equitable estoppel and dismissed the noninfringement motion as moot.

SCA appealed, and on September 17, 2014, a panel of this court affirmed the district court's opinion on laches, but reversed as to equitable estoppel. *See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 767 F.3d 1339 (Fed. Cir. 2014) ("*Panel Opinion*"). On laches, the panel rejected SCA's argument that the Supreme Court's *Petrella* decision abolished laches in patent law, reasoning instead that the panel was bound by this court's prior en banc opinion in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed.

Cir. 1992) (en banc), and that *Petrella* left *Aukerman* intact. *Panel Opinion* at 1345. As to the delay element, the panel opinion held that while "SCA was not required to provide notice of the reexamination to First Quality," "SCA remained silent for more than three years after the patent came out of reexamination." *Id.* at 1346. "Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination." *Id.* Therefore, the panel concluded that "SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay." *Id.*

With respect to the prejudice element of laches, the panel affirmed the district court's analysis. Specifically, the panel agreed that First Quality made a number of significant capital expenditures in its adult incontinence business, and that First Quality likely would have "restructured its activities to minimize infringement liability if SCA had brought suit earlier." *Id.* at 1347. Because SCA did not present any contrary evidence, the panel held that "SCA has not identified any evidence that raises a genuine issue of material fact regarding First Quality's presumed economic prejudice." *Id.* at 1348. And although the district court did not explicitly weigh the equities in determining that laches applied, the panel concluded the error was harmless. *Id.* Thus, the panel affirmed the district court's grant of summary judgment on laches.[1]

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1. On equitable estoppel, the panel reversed the district court's grant of summary judgment because competing inferences could be drawn as to the meaning of SCA's silence regarding the

SCA subsequently filed a petition for rehearing en banc, asking this court to reconsider *Aukerman* in light of *Petrella*. On December 30, 2014, this court granted SCA's petition and posed the following two en banc questions:

> (a) In light of the Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014) (and considering any relevant differences between copyright and patent law), should this court's en banc decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992), be overruled so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?
>
> (b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893).

'646 patent. *Panel Opinion* at 1350. The panel also held that a dispute of material fact remained over whether First Quality relied on SCA's alleged misleading communication because First Quality could have relied on its own belief that the '646 patent was invalid or simply ignored the '646 patent. *Id.* at 1350-51.

Appendix A

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, No. 2013-1564, 2014 U.S. App. LEXIS 24697, 2014 WL 7460970, at *1 (Fed. Cir. Dec. 30, 2014) (granting en banc review). Following briefing, including numerous amicus briefs, we held oral argument on June 19, 2015.

We have jurisdiction under 28 U.S.C. § 1295(a)(1).

II. VIABILITY OF LACHES AFTER *PETRELLA*

A

SCA contends that, after the Supreme Court's decision in *Petrella*, laches is no longer available as a defense to patent infringement within the six-year damages recovery period. We last addressed our laches law en banc in *Aukerman*. There, we set out five rules regarding the laches defense:

1. Laches is cognizable under 35 U.S.C. § 282 (1988) as an equitable defense to a claim for patent infringement.

2. Where the defense of laches is established, the patentee's claim for damages prior to suit may be barred.

3. Two elements underlie the defense of laches: (a) the patentee's delay in bringing suit was unreasonable and inexcusable, and (b) the alleged infringer suffered material prejudice attributable to the delay.

The district court should consider these factors and all of the evidence and other circumstances to determine whether equity should intercede to bar prefiling damages.

4. A presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged infringer's activity.

5. A presumption has the effect of shifting the burden of going forward with evidence, not the burden of persuasion.

Aukerman, 960 F.2d at 1028.

Four different portions of *Aukerman*'s reasoning are especially relevant to this case. First, we determined in *Aukerman* that laches was codified in 35 U.S.C. § 282. *Aukerman* explained that, "[a]s a defense to a claim of patent infringement, laches was well established at the time of recodification of the patent laws in 1952." *Id.* at 1029. We also credited P.J. Federico's *Commentary on the New Patent Act* for its observation that the second paragraph of § 282 includes "equitable defenses such as laches, estoppel and unclean hands." *Id.* (quoting P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 , 55 (West 1954) (hereinafter Federico *Commentary*)).

Second, *Aukerman* addressed the argument that laches conflicts with 35 U.S.C. § 286, which limits recovery of damages to the six years prior to the complaint. We explained that "[i]n other areas of our jurisdiction, laches is routinely applied within the prescribed statute of limitations period for bringing the claim." *Id.* at 1030 (citing *Cornetta v. United States*, 851 F.2d 1372 (Fed. Cir. 1988) (en banc) (military pay); *Reconstruction Finance Corp. v. Harrisons & Crosfield Ltd.*, 204 F.2d 366 (2d Cir.), *cert. denied*, 346 U.S. 854, 74 S. Ct. 69, 98 L. Ed. 368 (1953) (breach of contract)). Moreover, we observed that § 286 (or a virtually identical analogue) "has been in the patent statute since 1897," and that, "[w]ithout exception, all circuits recognized laches as a defense to a charge of patent infringement despite the reenactment of the damages limitation in the 1952 statute." *Id. Aukerman* also noted that "section 286 is not a statute of limitations in the sense of barring a suit for infringement." *Id.* Rather, "the effect of section 286 is to limit recovery to damages for infringing acts committed within six years of the date of the filing of the infringement action." *Id.* Finally, we reasoned that laches and a statute of limitations are not inherently incompatible. "By section 286, Congress imposed an *arbitrary* limitation on the period for which damages may be awarded on any claim for patent infringement. Laches, on the other hand, invokes the *discretionary* power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." *Id.* (emphasis in original).

Third, we rejected the argument "that laches, by reason of being an equitable defense, may be applied only to monetary awards resulting from an equitable accounting, not to legal claims for damages." *Aukerman*, 960 F.2d at 1031. According to the *Aukerman* court, the merger of law and equity courts allowed laches to bar legal relief. When in 1915 Congress enacted 28 U.S.C. § 398--which authorized parties to plead equitable defenses at law without having to file a separate bill in equity--"laches became available to bar legal relief, including patent damage actions." *Id.* We also found persuasive the fact that Federal Rule of Civil Procedure 8(c) recognizes laches as a defense in civil actions. *Id.*

Fourth, *Aukerman* considered whether laches bars recovery of pre-filing damages only, or whether it precludes the entire suit. In ruling that laches prohibits recovery of pre-filing damages only, *Aukerman* relied on the Supreme Court's *Menendez* decision. *Aukerman* quoted the following portion of *Menendez*:

> Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long[,] and under such circumstances[,] as to defeat the right itself. . . . Acquiescence[,] to avail[,] must be such as to create a new right in the defendant. . . .
>
> So far as the act complained of is completed, acquiescence may defeat the remedy on the principle applicable when action is taken on the

> strength of encouragement to do it[;] but so far as the act is in progress[,] and lies in the future, the right to the intervention of equity is not generally lost by previous delay, in respect to which the elements of an estoppel could rarely arise.

Aukerman, 960 F.2d at 1040 (quoting *Menendez*, 128 U.S. at 523-24.) *Aukerman* was motivated by preserving the distinction between laches--which bars only pre-suit damages--and equitable estoppel--which bars the entire suit. *Id.* Estoppel, which does not necessarily involve delay in bringing suit, requires "statements or conduct of the patentee which must 'communicate . . . in a misleading way' . . . that the accused infringer will not be disturbed by the plaintiff patentee in the activities in which the former is currently engaged." *Id.* at 1042. *Aukerman* explained that the "stated difference in the effect of laches and estoppel has served well to emphasize that more is required in the overall equities than simple laches if an alleged infringer seeks to wholly bar a patentee's claim." *Id.* at 1040. The court dismissed a rule by which laches could bar all relief "in egregious circumstances." *Id.*

For over two decades, *Aukerman* governed the operation of laches in patent cases. However, last year in *Petrella* the Supreme Court held that laches was not a defense to legal relief in copyright law. *Petrella* calls portions of *Aukerman*'s reasoning into question, necessitating our present en banc reconsideration of laches.

Petrella involved an assertion that Metro-Goldwyn-Mayer's ("MGM") critically-acclaimed 1980 film Raging Bull infringed a copyright in a 1963 screenplay authored by Frank Petrella. Frank Petrella's daughter, Paula Petrella ("Petrella"), renewed the copyright in 1991, but did not contact MGM until seven years later. *Petrella*, 134 S. Ct. at 1971. Over the next two years, Petrella and MGM exchanged letters concerning Petrella's copyright claim. *Id.* Petrella then went silent, and did not file suit until January 6, 2009, about nine years after her last correspondence with MGM. *Id.* To dispose of the suit, MGM moved for summary judgment of laches, which the district court granted and the Ninth Circuit affirmed.

However, the Supreme Court reversed, holding that laches is no defense to a copyright infringement suit brought within the Copyright Act's statutory limitations period. Fundamentally, the Supreme Court reasoned that "the copyright statute of limitations, § 507(b), itself takes account of delay," crowding out the judiciary's power to decide whether a suit is timely. *Id.* at 1973. According to the Court, "[l]aches . . . originally served as a guide when no statute of limitations controlled the claim." *Id.* at 1975. Historically, "laches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973. Laches is thus "gap-filling, not legislation-overriding." *Id.* at 1974. In this respect, separation of powers concerns drove the result in *Petrella*. *Petrella* consequently held that "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Id.* Therefore, under

Petrella, "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period . . . courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

In addition, the *Petrella* Court conceded that "there has been, since 1938, only one form of action--the civil action." *Petrella*, 134 S. Ct. at 1974 (internal quotation marks omitted). But, the Court responded, "the substantive and remedial principles [applicable] prior to the advent of the federal rules [have] not changed." *Id.* (alterations in original) (internal quotation marks omitted). "Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." *Id.* at 1973.

Petrella also addressed the extent to which laches should affect equitable relief. The Court explained: "In extraordinary circumstances, however, the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable." *Id.* at 1977. *Petrella* then contrasted a Sixth Circuit case involving a copyrighted architectural design and the facts in *Petrella*. In the Sixth Circuit case, *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (6th Cir. 2007), the plaintiffs "would not be entitled to an order mandating destruction of the housing project" embodying the copyrighted design because "the plaintiffs knew of the defendants' construction plans before the defendants broke ground, yet failed to take readily available measures to stop the project; and the requested relief would work an *unjust* hardship upon the defendants

and innocent third parties." *Petrella*, 134 S. Ct. at 1978 (emphasis in original) (internal quotation marks omitted). In *Petrella*, however, "Petrella notified MGM of her copyright claims *before* MGM invested millions of dollars in creating a new edition of Raging Bull. And the equitable relief Petrella seeks--*e.g.*, disgorgement of unjust gains and an injunction against future infringement--would not result in total destruction of the film, or anything close to it." *Id.* (emphasis in original) (internal quotation marks omitted). Furthermore, the Court reasoned that "[a]llowing Petrella's suit to go forward will put at risk only a fraction of the income MGM has earned during that period and will work no unjust hardship on innocent third parties, such as consumers who have purchased copies of Raging Bull. The circumstances here may or may not (we need not decide) warrant limiting relief at the remedial stage, but they are not sufficiently extraordinary to justify threshold dismissal." *Id.* (citation omitted).

Nonetheless, the Supreme Court continued: "Should Petrella ultimately prevail on the merits, the District Court, in determining appropriate injunctive relief and assessing profits, may take account of her delay in commencing suit." *Id.* The Court then laid out several considerations for the district court. In particular, the "court should closely examine MGM's alleged reliance on Petrella's delay." *Id.* "This examination should take account of MGM's early knowledge of Petrella's claims, the protection MGM might have achieved through pursuit of a declaratory judgment action, the extent to which MGM's investment was protected by the separate-accrual rule, the court's authority to order injunctive relief on such terms as

it may deem reasonable, and any other considerations that would justify adjusting injunctive relief or profits." *Id.* at 1978-79 (internal quotation marks and citation omitted). In conclusion, the Court assured that, "on the facts thus far presented," Petrella would remain entitled to an ongoing royalty. *Id.* at 1979 ("Whatever adjustments may be in order in awarding injunctive relief, and in accounting for MGM's gains and profits, on the facts thus far presented, there is no evident basis for immunizing MGM's present and future uses of the copyrighted work, free from any obligation to pay royalties.").

Finally, the Supreme Court in *Petrella* recognized that Congress could provide for a laches defense, noting, as an example, that it had done so in the Lanham Act, governing trademarks. *Id.* at 1974 n.15. The Court took no position on whether its decision extends to the patent context, remarking that "based in part on § 282 and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. We have not had occasion to review the Federal Circuit's position." *Id.* (citation omitted).

Still, *Petrella* clearly casts doubt on several aspects of *Aukerman*. The following sections reexamine the availability of laches to bar recovery of damages incurred within the six-year limitations period.

B

First, we consider the character of 35 U.S.C. § 286. Section 286 states, in relevant part: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The parties and amici fervently debate whether § 286 is a statute of limitations or a damages limitation. By its terms, § 286 is a damages limitation. The statute does not preclude bringing a claim--instead, it limits a patentee's damages recovery to compensation for only the last six years of infringement. *See Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 347-48 (Fed. Cir. 1985).

However, this distinction is irrelevant to the resolution of this case under *Petrella*. As discussed above at II.A, *Petrella* focuses on the fact that, in enacting a statute of limitations, Congress has spoken on the timeliness of copyright infringement damages claims. Thus, the question under *Petrella* is whether Congress has prescribed a time period for recovery of damages. Section 286 is one such prescription. In § 286, Congress provided a six-year time period for recovery of damages. Given that laches also considers the timeliness of damages claims, § 286--a damages-barring time provision--invokes *Petrella*'s logic at least as much as, and perhaps more than, a statute of limitations. *Petrella*, 134 S. Ct. at 1973 ("[T]he copyright statute of limitations, § 507(b), itself takes account of delay."). Moreover, because patent infringement is a continuous tort, there is no relevant

functional difference between a damages limitation and a statute of limitations. We therefore see no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*.

C

Next, we determine that Congress codified a laches defense in 35 U.S.C. § 282(b)(1). Section 282(b)[2] provides:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability.
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with--
>
> (A) any requirement of section 112, except that the failure to disclose

2. This version of § 282(b) incorporates amendments by the America Invents Act that, due to later effective dates, are inapplicable to the instant case. See Pub. L. 112-29, § 15(a), (c), 125 Stat. 284, 328; § 20(g), (j)(1), (l), 125 Stat. 284, 334-35 (2011). Those amendments, however, would not affect our decision today. For convenience, therefore, we use the current version of the statute.

> the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
>
> (B) any requirement of section 251.
>
> (4) Any other fact or act made a defense by this title.

By its plain terms, § 282 broadly sets out defenses available in a patent infringement or validity suit. Rather than enumerate specific defenses, subsection (1) lists categories of defenses--"[n]oninfringement, absence of liability for infringement or unenforceability." Subsections (2) and (3) follow this pattern, referring to invalidity based on "any ground specified in part II as a condition for patentability," "any requirement of section 112," and "any requirement of section 251." And § 282(b) concludes with a catch-all provision in subsection (4): "[a]ny other fact or act made a defense by this title" is a defense within § 282(b).

The House and Senate Reports on § 282 confirm that Congress intended § 282 to have broad reach. Only one sentence in each Report describes § 282(b), but both endorse an expansive interpretation of the subsection. The Senate Report explains that "[t]he five defenses named in R. S. 4920 are omitted and replaced by a broader paragraph specifying defenses in general terms." S. Rep. No. 82-1979 at 8-9 (1952), 1952 U.S.C.C.A.N. 2394, 2422. Likewise, the House Report clarifies that "[t]he defenses to a suit for infringement are stated in general

terms, changing the language in the present statute, but not materially changing the substance."[3] H.R. Rep. No. 82-1923, at 10 (1952).

Contemporary commentary by "P. J. Federico, a principal draftsman of the 1952 recodification," *Diamond v. Chakrabarty*, 447 U.S. 303, 321, 100 S. Ct. 2204, 65 L. Ed. 2d 144 (1980), reveals that the "broader" and "general" § 282 codified the laches defense. Federico's *Commentary on the New Patent Act*, which appears as a prologue to Title 35 in West's initial publication of the statute, states:

> The defenses which may be raised in an action involving the validity or infringement of a patent are specified in general terms, by the second paragraph of section 282, in five numbered items. Item 1 specifies "Noninfringement, absence of liability for infringement, or unenforceability" (the last word was added by amendment in the Senate for greater clarity); *this would include* the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and *equitable defenses such as laches*, estoppel and unclean hands."

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3. The dissent asserts that the words "not materially changing the substance" indicate that § 282 is no broader than R. S. 4920. Dissent at 8. But by the statutes' plain terms that contention is wrong. R. S. 4920 enumerated five specific defenses. Even putting aside § 282(b)(1) and the catch-all provision in §282(b)(4), § 282(b)(2) and (b)(3) clearly broaden the statutory defenses available to accused infringers.

Federico *Commentary* (emphases added).

The dissent criticizes our reliance on Federico, Dissent at 9-10, but the Supreme Court has trusted Federico as an authority on the Patent Act at least thrice. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 28, 117 S. Ct. 1040, 137 L. Ed. 2d 146 (1997) (citing 2 D. Chisum, Patents § 8.04[2], pp. 63-64 (1996) (discussing Federico *Commentary*)); *Diamond*, 447 U.S. at 321 (citing *Hearings on H.R. 3760 before Subcommittee No. 3 of the House Committee on the Judiciary*, 82d Cong., 1st Sess., 37 (1951) (statement of P. J. Federico)); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8, 81 S. Ct. 599, 5 L. Ed. 2d 592, 1961 Dec. Comm'r Pat. 635 (1961) (citing Federico *Commentary*). Moreover, we and our predecessors have relied on the Federico *Commentary* countless times as "an invaluable insight into the intentions of the drafters of the Act." *Symbol Techs., Inc. v. Lemelson Med.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002); *see, e.g., Antares Pharma, Inc. v. Medac Pharma Inc.*, 771 F.3d 1354, 1360 (Fed. Cir. 2014); *Slip Track Sys., Inc. v. Metal-Lite, Inc.*, 304 F.3d 1256, 1264 n.2 (Fed. Cir. 2002); *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993); *Albert v. Kevex Corp.*, 729 F.2d 757, 761 (Fed. Cir. 1984); *Application of Hogan*, 559 F.2d 595, 603 (C.C.P.A. 1977); *Application of Harry*, 333 F.2d 920, 924 n.2, 51 C.C.P.A. 1541, 1964 Dec. Comm'r Pat. 852 (C.C.P.A. 1964). In addition, Judge Rich, who was deeply involved in crafting the Patent Act, described Federico in a concurring opinion as "[t]he key person" in drafting the Patent Act. *Paulik v. Rizkalla*, 760 F.2d 1270, 1277 (Fed. Cir. 1985) (Rich,

J., concurring). According to Judge Rich, Federico "not only wrote the first draft of the Act himself and actively participated for the next two years in every detail of its revisions but, having been made a special consultant to the House subcommittee in charge of the project, he was also a principal author of House Report No. 1923 on the bill, which was virtually copied by the Senate Judiciary Committee as its report No. 1979, and the author of the section-by-section Revisors Notes." *Id.* Judge Rich also reveals that the Federico *Commentary* was solicited by the West Publishing Company for publication with the new Title 35:

> After enactment of the law, West Publishing Company asked Federico to write a commentary on it for publication in U.S.C.A., which he did, and it was published in 1954 in the first of the volumes containing the new Title 35. Federico also submitted drafts of the commentary to Ashton and the Drafting Committee for suggestions . . . .

Id. (footnote omitted). We therefore consider the Federico *Commentary* to be a sufficiently reliable source on the meaning of § 282.

To summarize, § 282 uses inclusive language, the legislative history characterizes § 282 as "broader" and "general," and the Federico *Commentary* explicitly states that § 282 includes laches. The dissent does not point to anything that contradicts our understanding of § 282. Accordingly, we conclude that Congress codified a laches defense in § 282.

Notably, our construction of § 282 to include laches is neither novel, nor a direct response to *Petrella*. Rather, for decades we have held that laches was codified in § 282, including once sitting en banc in *Aukerman*. *See Aukerman*, 960 F.2d at 1029; *Symbol*, 277 F.3d at 1366; *Mylan Pharms., Inc. v. Thompson*, 268 F.3d 1323, 1331 (Fed. Cir. 2001); *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984). Nothing in *Petrella* casts doubt on our longstanding construction of the Patent Act.

D

Having determined that Congress codified a laches defense in § 282, we now reach the critical question: does laches as codified in the 1952 Patent Act bar recovery of legal relief? If laches as codified in § 282 is a defense against only equitable relief, *Petrella* prohibits judicial application of laches to bar legal damages. If, however, laches as codified operates as a defense to both legal and equitable relief, patent law's statutory scheme--like the Lanham Act, *see Petrella*, 134 S. Ct. at 1974 n.15--does not implicate *Petrella*. In that case, § 282 obligates us to apply laches as a defense to legal relief, notwithstanding § 286's time limitation on the recovery of damages.

Turning to the content of the laches defense in § 282, the text of § 282 provides little guidance. Because § 282 does not enumerate specific defenses, the statutory text says nothing on the applicability of laches to legal relief. Similarly, the legislative history is silent on the meaning of laches, and Federico does no more than mention laches' codification in § 282.

In these circumstances, the Supreme Court counsels that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363, 185 L. Ed. 2d 392 (2013) (internal quotation marks omitted).[4] This presumption applies where "Congress has failed expressly or impliedly to evince any intention on the issue." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 110, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991); *see also Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783, 72 S. Ct. 1011, 96 L. Ed. 1294 (1952) ("Statutes which invade the

4. While the doctrine of laches in the patent context is not strictly a matter of common law, as the patent law is statutory, the Supreme Court has treated uniform interpretations of statutes involving judicially created doctrines as invoking common law adoption principles. In *United States v. Texas*, 507 U.S. 529, 533, 113 S. Ct. 1631, 123 L. Ed. 2d 245 (1993), the Supreme Court considered whether the statutory scheme there implicitly allowed for the federal government to recover prejudgment interest for money owed by state governments. The statute itself was silent on the issue, only expressly requiring individuals to pay prejudgment interest. The Court determined that there was a common law tradition of the federal government being able to recover prejudgment interest for money owed it by the states, and therefore that the statute implicitly allowed for the federal government to recover prejudgment interest against the states. Indeed, the Court rejected an argument that the presumption favoring the common law only applies "with respect to state common law or federal maritime law." *Id.* at 534. *See also* Singer, Norman & Singer, J.D., 2B *Statutes and Statutory Construction* § 50:1 (7th ed. 2007) ("All legislation is interpreted in light of the common law and the scheme of jurisprudence existing at the time of its enactment.").

common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident."). "In order to abrogate a common-law principle, the statute must speak directly to the question addressed by the common law." *United States v. Texas*, 507 U.S. 529, 534, 113 S. Ct. 1631, 123 L. Ed. 2d 245 (1993) (internal quotation marks omitted).

This canon of construction is especially applicable here. Congress's purpose in enacting the Patent Act was to codify the prevailing law wholesale, except where changes were expressly noted. The House Report reveals that, while a preliminary draft of the Patent Act "included a collection of a large number of proposed changes in the law," "[a]s a result of the comments received, it was decided not to include most of the proposed changes in a bill but to defer them for later consideration, and to limit the bill to the main purpose of codification and enactment of title 35 into law, with only some minor procedural and other changes deemed substantially noncontroversial and desirable." H.R. Rep. No. 82-1923, at 3. Consequently, "the principal purpose of the bill [was] the codification of title 35 . . . ." *Id.* at 5; S. Rep. No. 82-1979 at 4, 1952 U.S.C.C.A.N. at 2397. While "there [were] a number of changes in substantive statutory law," "these [were] explained in some detail in the revision notes," and "[t]he major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271." H.R. Rep. No. 82-1923, at 5; S. Rep. No. 82-1979 at 4, 1952 U.S.C.C.A.N. at 2397. No changes to laches doctrine were

mentioned in the revision notes. Finally, "just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, 'Does the bill change the law in any way or only codify the present patent laws?' Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, replied, 'It codifies the present patent laws.'" *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 350 n.2, 81 S. Ct. 599, 5 L. Ed. 2d 592, 1961 Dec. Comm'r Pat. 635 (1961) (Black, J., concurring) (quoting 98 Cong. Rec. 9323 (July 4, 1952)); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203, 100 S. Ct. 2601, 65 L. Ed. 2d 696 (1980) (quoting the same). Therefore, if anything, Congress intended to adopt the laches patent common law when it included laches in § 282.

As outlined above, Congress remained silent on the content of the laches defense.[5] Section 282 therefore retains the substance of the common law as it existed at the time Congress enacted the Patent Act. *See Astoria*, 501 U.S. at 109 ("[L]egislative repeals by implication will not be recognized . . . ."). *See generally Symbol*, 277 F.3d at 1366 ("There is nothing in the legislative history to suggest that Congress did not intend to carry forward the defense of prosecution laches . . ."); *Transco Prods. Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 557 (Fed. Cir. 1994) ("The legislative history of section 120 does not indicate any congressional intent to alter the Supreme Court's interpretation of continuing application

5. If we can infer anything from what Congress said, it is that Congress intended to "not materially chang[e] the substance" of the § 282 defenses. H.R. Rep. No. 82-1923, at 10.

practice."). Accordingly, we must review the case law prior to 1952 to determine whether courts applied laches to bar legal relief.

Some initial background information is necessary to place the case law in context. Traditionally, patentees could seek an injunction and an accounting of profits--both equitable remedies--by filing a bill in equity courts. Alternatively, patentees could seek compensatory damages by filing an action at law. In 1870, however, Congress gave equity courts the authority to award legal damages in patent cases. Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (1870). Forty-five years later, in 1915, Congress passed a general statute (§ 274b) providing that "in all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court." Act of March 3, 1915, ch. 90, § 274b, 38 Stat. 956 (1915). Prior to this statute, parties wishing to raise equitable defenses in an action at law had to file a separate bill in equity seeking to enjoin the legal action. *See, e.g., Kessler v. Eldred*, 206 U.S. 285, 27 S. Ct. 611, 51 L. Ed. 1065, 1907 Dec. Comm'r Pat. 696 (1907). Section 274b did not change substantive law. *See Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382, 55 S. Ct. 310, 79 L. Ed. 440 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 108 S. Ct. 1133, 99 L. Ed. 2d 296 (1988). Rather, "[t]he net effect of [§§ 274a and 274b] was to allow transfer of action begun on either side of the court to the other side, without the necessity of commencing a new action, to permit determination of law questions arising in equity actions in those actions, and to allow equitable

defenses to be offered and equitable relief to be granted in an action at law." *City of Morgantown v. Royal Ins. Co.*, 337 U.S. 254, 256-57, 69 S. Ct. 1067, 93 L. Ed. 1347 (1949). Beginning in 1915, then, accused infringers were not procedurally foreclosed from pleading a laches defense in an action at law.

The merger of law and equity was completed with the advent of the Federal Rules of Civil Procedure in 1938. "[T]here has been, since 1938, only 'one form of action--the civil action.'"[6] *Petrella*, 134 S. Ct. at 1974 (quoting Fed. R. Civ. P. 2). Prior to 1938, where the requirements for equitable jurisdiction were satisfied, patentees often alleged patent infringement in a bill in equity, as equitable courts could provide the powerful remedies of an accounting of profits and an injunction, which were unavailable in actions at law, in addition to compensatory damages. After the Federal Rules of Civil Procedure were implemented, patentees no longer needed to choose.

Finally, in the Patent Act of 1946, Congress eliminated accounting of profits as a remedy for patent infringement (except for design patents). *See* Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778; *see also Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 654 (Fed. Cir. 1985) ("The 1946 amendment to the damages provisions effectively eliminated this double recovery."). "After the 1946 amendment . . . R.S. 4921 provided that 'the complainant shall be entitled to recover general

6. The christening of the Federal Rules of Civil Procedure did not alter any substantive law. *Petrella*, 134 S. Ct. at 1974.

damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor . . . .'" *Kori*, 761 F.2d at 654 (quoting Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778). The prior availability of an equitable accounting of profits in patent infringement cases is relevant because, in cases litigated between 1870 and 1946, the patentee often sought both compensatory damages and an accounting of profits. *Id.* Moreover, "[f]ollowing the 1870 Patent Act, courts regularly used the terms 'account' and 'accounting' to refer to the special master's determination of both an adjudged infringer's profits and a patentee's damages." *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1310 (Fed. Cir. 2013). For this reason, it is in many cases difficult to determine whether a court applied laches to bar purely equitable relief, or whether, in using the term "accounting," a court also prohibited legal relief. That said, equity courts' grouping of legal and equitable relief under a single name--accounting--could explain a unique willingness in patent law to apply laches to bar a traditionally legal remedy.

With all of the foregoing in mind, we now turn to the pre-1952 case law on laches. Upon review, the case law demonstrates that, by 1952, courts consistently applied laches to preclude recovery of legal damages. Nearly every circuit recognized that laches could be a defense to legal relief prior to 1952. *See, e.g., Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *Ford v. Huff*, 296 F. 652 (5th Cir. 1924); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*,

182 F.2d 945 (7th Cir. 1950); *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952).[7] In fact, the only two pre-1952 circuit courts that considered SCA's argument--that laches operates as a defense to equitable relief only--expressly held that laches can also bar legal remedies. *See Ford*, 296 F. at 658; *Banker*, 69 F.2d at 666.

The *Ford* case was both early and influential. In *Ford*, the patentee, Huff, was employed by defendant Henry Ford as an electrical and mechanical engineer. *Ford*, 296 F. at 654. Huff and Ford agreed that Huff would invent a magneto for an automobile flywheel and assign the patent rights to Ford, and Ford would pay a reasonable royalty for the invention's use. *Id.* Huff subsequently invented the magneto and assigned the patent rights to Ford. *Id.* While Ford paid Huff $10,000 in installments upon Ford manufacturing the first 20,000 magnetos, Ford made no further royalty payments. *Id.*

Huff did not bring suit against Ford until fourteen years after the invention, ten years after he left the Ford Motor Company, and eight years after the patents issued. *Id.* at 655. The court found that Ford had established both laches and equitable estoppel--laches from the delay, and equitable estoppel from Huff's acceptance of Ford's $10,000 payment. *Id.* at 657. The court then considered whether the laches and equitable estoppel defenses could be brought in a suit at law. Citing § 274b and *Liberty Oil*

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7. Significantly, the cases cited as examples here do not include the numerous cases that apply laches to bar an "accounting." Because of the term's inherent ambiguity (described above in text), we do not rely on such cases.

Co. v. Condon National Bank, 260 U.S. 235, 43 S. Ct. 118, 67 L. Ed. 232 (1922), the Fifth Circuit stated that "a defendant in an action at law who files a plea setting up an equitable defense is given the same rights as if he had set them up in a bill in equity." *Id.* at 658. The court reasoned that "a bill in equity disclosing the state of facts alleged in the plea in question would show that defendant was entitled to prevent the enforcement of the claim asserted by this suit on the ground that plaintiff's conduct had been such as to deprive him of the right to enforce that claim." *Id.* Therefore, because the laches and equitable estoppel defenses could be pleaded in a bill in equity to enjoin the patentee's suit at law for patent infringement, § 274b allowed the defenses to be pleaded directly in the legal suit.[8]

The only other case to expressly consider the argument that laches cannot preclude legal relief is *Banker*. In *Banker*, which involved only laches and not equitable estoppel, the Third Circuit employed similar methodology to *Ford*. Specifically, *Banker* held that "[h]ad the appellant's suit been in equity, the evidence

8. Subsequently, the Supreme Court in *Enelow*--which held that § 274b changed no substantive law--cited *Ford* in the context of an injunction staying a legal action pending resolution of an equitable defense. *Enelow*, 293 U.S. at 383. Although unclear, *Enelow* arguably approved of *Ford*'s § 274b methodology. *Id.* (explaining that, under § 274b, "the court, exercising what is essentially an equitable jurisdiction, in effect grants or refuses an injunction restraining proceedings at law precisely as if the court had acted upon a bill of complaint in a separate suit for the same purpose").

would have been ample for holding that recovery was barred because of laches." *Banker*, 69 F.2d at 666. Nevertheless, "[t]he appellant admit[ted] the authority of the cited cases if applied in equity, but contend[ed] that they [were] inapplicable to actions at law." *Id.* The court quickly dispensed with that contention, however. Relying on *Ford*, *Banker* concluded that § 274b "authorizes equitable defenses in actions at law theretofore applicable only in equity." *Id.*

A plethora of other cases assumes laches to preclude legal relief without discussion. *See, e.g., Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*, 182 F.2d 945 (7th Cir. 1950); *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781 (7th Cir. 1939); *George J. Meyer Mfg. Co. v. Miller Mfg. Co.*, 24 F.2d 505 (7th Cir. 1928); *Wolf, Sayer & Heller v. U.S. Slicing Mach. Co.*, 261 F. 195, 1920 Dec. Comm'r Pat. 301 (7th Cir. 1919); *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952).[9] In addition, the Supreme Court in *Lane & Bodley Co. v. Locke* mentions monetary compensation, but does not state whether the recovery

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9. SCA and some amici contend that the *Middleton* case holds that laches cannot preclude legal relief. But *Middleton* merely states that the elements of laches were not proven in that case. As *Middleton* reasoned, delay, without prejudice, is insufficient. *Middleton*, 195 F.2d at 847. Moreover, the *Middleton* court ruled that application of laches would have been inequitable because the accused infringers "knowingly and deliberately were using for their own benefit the owner's patented equipment without authority, legal excuse or payment of royalty." *Id.*

was legal or equitable in nature. 150 U.S. 193, 194, 14 S. Ct. 78, 37 L. Ed. 1049 (1893) ("[T]he circuit court found in favor of the complainant, and, after reference to and report by a master, rendered a final decree against the defendant for the sum of $3,667.37, with interest and costs."). Countless other cases refer to an accounting, and thus remain ambiguous as to whether they barred legal relief. *See, e.g., Union Shipbuilding Co. v. Bos. Iron & Metal Co.*, 93 F.2d 781 (4th Cir. 1938); *Gillons v. Shell Co. of Cal.*, 86 F.2d 600 (9th Cir. 1936); *Window Glass Mach. Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645, 647 (3d Cir. 1922); *A.R. Mosler & Co. v. Lurie*, 209 F. 364 (2d Cir. 1913). Significantly, neither SCA, nor the amici, nor the dissent, can identify a single appellate-level patent infringement case stating--much less holding--that laches is inapplicable to legal damages.

Finally, the Walker patent treatise supports the conclusion that laches can preclude legal remedies. The 1937 version of the Walker treatise was published before many of the cases discussed above. 4 *Walker, on Patents* (Deller's ed. 1937). Nonetheless, although it does not list laches among the defenses in actions at law, *see id.* §§ 656, 687-88, Walker elsewhere explains that "[w]here a plaintiff is chargeable with laches, he cannot recover the damages he has suffered nor the profits defendant has gained." *Id.* § 880B (citing *George Meyer*, 24 F.2d 505). Moreover, Walker's 1951 Supplement states that "[l]aches and estoppel are equitable defenses, and may be interposed in an action at law." 4 *Walker, on Patents* at 106 (Supp. 1951) (addressing § 575) (citing *Mather v. Ford Motor Co.*, 40 F. Supp. 589 (E.D. Mich. 1941)).

In sum, the case law strongly supports the availability of laches to bar legal relief. Section 282 codified whatever laches doctrine existed when Congress enacted the Patent Act in 1952. Although the development occurred over time, by 1952 nearly every circuit had approved of the proposition that laches could bar legal relief for patent infringement, and no court had held to the contrary. The Walker treatise--in 1937 and then more authoritatively in 1951--agreed that laches precludes recovery of legal damages. The laches doctrine codified in § 282 must have meaning, and, absent any direction from Congress, it takes on its common law meaning. Following a review of the relevant common law, that meaning is clear: in 1952, laches operated as a defense to legal relief. Therefore, in § 282, Congress codified a laches defense that barred recovery of legal remedies.

The dissent suggests that this significant court of appeals authority allowing a laches defense to patent damages actions should not be deemed incorporated into the 1952 Act because "[a]ny analysis of what the common law was at a certain point in time must start with Supreme Court precedent" which established a "general principle" that laches does not bar a claim for legal relief. Dissent at 10, 12. The dissent also suggests that circuit authority allowing the laches defense in equity actions is not pertinent to congressional intent. *Id.* at 13. The dissent is incorrect on both counts. In contrast to other areas, in patent law before 1952 there was no sharp distinction between legal and equitable actions for damages or in the defenses that were available. *See supra* pp. 23-25. Patent damages actions were unlike typical damages

actions in that the 1870 statute allowed the recovery of damages in either an action at law or in equity, *see* 16 Stat. 206 (1870), and the 1897 statute of limitations applied to both legal and equitable actions, *see* 29 Stat. 694 (1897), as did the laches defense. Furthermore, the Chairman of the Judiciary Committee clarified on the Senate floor just before the Patent Act was passed that the 1952 Act "codifie[d] the present *patent* laws.'" 98 Cong. Rec. 9323 (emphasis added); *see also supra* pp. 21-22. If Congress looked to the common law, it likely looked to the common law of patents[10] rather than to more general principles.

E

The fact that § 286 speaks to the timeliness of damages claims does not alter the outcome. *Petrella* fundamentally concerns separation of powers. That is, *Petrella* eliminates

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10. The two patent cases cited by the dissent--both trial court cases from a single jurisdiction--are unhelpful. In the first, *City of Concord v. Norton*, 16 F. 477 (C.C.D. Mass. 1883), after noting that the equitable defense of estoppel was available at law and at equity, the court found that equitable estoppel was not established. *Id.* at 479. The court then stated that if laches had been alleged, it would not have been available because "for laches the remedy at law is found in the statute of limitations." *Id.* at 480. It is difficult to know what was meant by this dictum because at this time no statute of limitations existed in patent law. The second, *Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 270 (D. Mass. 1930), simply did not address whether patent law was different from other areas. Moreover, because a plethora of court of appeals-level case law concludes that laches may bar legal relief, we need not list the many district court cases, such as *Mather*, 40 F. Supp. at 591-92, that accord with our reasoning.

copyright's judicially-created laches defense because Congress, through a statute of limitations, has already spoken on the timeliness of copyright infringement claims, so there is no room for a judicially-created timeliness doctrine. *See Petrella*, 134 S. Ct. at 1974 (describing laches as "gap-filling, not legislation-overriding"). The statutory scheme in patent law, however, is different. While Congress has spoken on the timeliness of patent damages claims, Congress also codified a laches defense in § 282. Thus, because § 286 provides for a time limitation on the recovery of legal remedies, and § 282 provides for laches as a defense to legal relief, the separation of powers concern is not present. *See id.* at 1974 n.15 (noting that laches is preserved in trademark law because the Lanham Act "expressly provides for defensive use of 'equitable principles, including laches'"). Laches therefore remains a viable defense to legal relief in patent law.

Despite whatever tension may exist between the § 286 damages limitation and the § 282 laches defense, "we have no authority to substitute our views for those expressed by Congress in a duly enacted statute." *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 626, 98 S. Ct. 2010, 56 L. Ed. 2d 581 (1978). If, in light of this issue's newfound salience, Congress decides that the § 286 damages limitation and the § 282 laches defense are incompatible, it can change the law. As a court, however, we must apply the law as enacted, which means that the § 286 damages limitation and the § 282 laches defense must continue to coexist.

F

Finally, one major difference between copyright and patent law bears mention: copyright infringement requires evidence of copying, but innocence is no defense to patent infringement. *Compare N. Coast Indus. v. Jason Maxwell, Inc.*, 972 F.2d 1031, 1033 (9th Cir. 1992) ("If the plaintiff copyright holder survives the first step, i.e., it establishes that it owns a valid copyright, then the plaintiff must establish infringement by showing both access to its copyrighted material on the part of the alleged infringer and substantial similarity between the copyrighted work and the alleged infringing work."), *and Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498, 501 (2d Cir. 1982) ("Evidence of independent creation may be introduced by a defendant to rebut a plaintiff's prima facie case of infringement."), *with Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926, 191 L. Ed. 2d 883 (2015) ("Direct infringement is a strict-liability offense."). Because copyright infringement requires proof of access, a potential defendant is typically aware of a risk that it is infringing and can estimate its exposure when making its initial investment decision. *See* Dell Br. 26-27; Roche Br. 19-21. The potential defendant can also accumulate evidence of independent creation to protect its investment. Thus, in *Petrella*--as in a typical copyright suit--"[a]llowing Petrella's suit to go forward will put at risk only a fraction of the income MGM has earned during that period and will work no unjust hardship on innocent third parties . . . ." *Petrella*, 134 S. Ct. at 1978.

In patent law, however, the calculus is different. For example, in the medical device industry, a company may independently develop an invention and spend enormous sums of money to usher the resultant product through regulatory approval and marketing, only to have a patentee emerge six years later to seek the most profitable six years of revenues. *See* Roche Br. 19-23; IPO Br. 19. In the high tech industry, amici advise that businesses receive demand letters every day--many of which assert unmeritorious claims--and it is often impractical for companies to determine which claims have merit. *See* Dell Br. 23-27. Independent invention is no defense in patent law, so without laches, innovators have no safeguard against tardy claims demanding a portion of their commercial success. Consequently, "there is a recurring risk that a stale patent claim will inflict significant hardship on a defendant who has lost the meaningful ability to choose between alternative technologies and whose investment in research, development, and further innovation may be jeopardized." Dell Br. 27. This risk likely explains why the amici in this case--encompassing industries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance--overwhelmingly support retaining laches in patent law.[11]

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11. *See, e.g.*, Brief of Amicus Curiae Roche Molecular Systems, Inc. in Support of Defendants-Appellees; Brief of Dell Inc. et al. as Amicus Curiae in Support of Defendants-Appellees; Brief of Intellectual Property Owners Ass'n as Amicus Curiae in Support of Defendants-Appellees; Corrected Brief of Amici Curiae Briggs & Stanton Corp., Harley-Davidson Motor Co., Inc., Jockey Int'l, Inc., Rockwell Automation, Inc. and Wisconsin Mfrs.

III. LACHES' APPLICATION TO ONGOING RELIEF

The second question for en banc review concerns the extent to which laches can limit recovery of ongoing relief. *Aukerman* held that laches could not bar prospective relief. *Aukerman*, 960 F.2d at 1041. Reexamination of that rule is necessary in light of *Petrella* and the Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006). There are two parts to this inquiry: whether laches can bar permanent injunctive relief and whether it can bar an ongoing royalty for continuing infringing acts.

When a court orders ongoing relief, the court acts within its equitable discretion. *See eBay*, 547 U.S. at 391-92; *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1316 (Fed. Cir. 2007). As *eBay* instructs, equitable "discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *eBay*, 547 U.S. at 394. With respect to injunctions, this means following *eBay*'s familiar four-factor test:

& Commerce in Support of Defendants-Appellees; Brief of Amicus Curiae Hydro Engineering, Inc. on Rehearing En Banc in Support of Defendants-Appellees; Brief of Amici Curiae AT&T Mobility II LLC and T-Mobile USA, Inc. in Support of Defendants-Appellees; Brief of Amici Curiae Johnson & Johnson and Cordis Corp. in Support of Defendants-Appellees; Brief of Amici Curiae Garmin Int'l, Inc. et al. on Rehearing En Banc Supporting Defendants-Appellees.

> A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 391.

Consideration of laches fits naturally into this framework. As noted in *Petrella*, "the District Court, in determining appropriate injunctive relief . . . may take account of [the plaintiff's] delay in commencing suit." *Petrella*, 134 S. Ct. at 1978; *see also Menendez*, 128 U.S. at 523 ("Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long, and under such circumstances, as to defeat the right itself."). Many of the facts relevant to laches, such as the accused infringer's reliance on the patentee's delay, fall under the balance of the hardships factor. *Id.* Unreasonable delay in bringing suit may also be relevant to a patentee's claim that continued infringement will cause it irreparable injury. More than anything, district courts should consider all material facts, including those giving rise to laches, in exercising its discretion under *eBay* to grant or deny an injunction. *See eBay*, 547 U.S. at 394.

The *Aukerman* court, relying on *Menendez*, based its conclusion that laches may only bar pre-suit damages on the necessity of maintaining a distinction between laches and equitable estoppel. *Aukerman*, 960 F.2d at 1040-41. But *Menendez* does not create a bright-line rule favoring injunctions. In fact, *Menendez* repeatedly allows for the possibility that laches could foreclose injunctive relief. For example, an injunction may be inequitable when the delay "has been continued so long, and under such circumstances, as to defeat the right itself." *Menendez*, 128 U.S. at 523; *see also id.* at 524 ("[S]o far as the act is in progress, and lies in the future, the right to the intervention of equity is not *generally* lost by previous delay, in respect to which the elements of an estoppel could rarely arise.") (emphasis added); *id.* at 524-25 ("Delay in bring suit there was, and such delay as to preclude recovery of damages for prior infringement; *but there was neither conduct nor negligence which could be held to destroy the right to prevention of further injury.*") (emphasis added).[12] Likewise, *eBay* clarifies that a patentee is not automatically entitled to an injunction--the patentee must prove that the equities favor an injunction. *eBay*, 547 U.S. at 392 ("[I]njunctive relief may issue only in accordance with the principles of equity.") (internal quotation marks omitted). Laches, an equitable defense, belongs in that calculus. We, accordingly, reject *Aukerman's* bright line rule regarding the interplay between laches and injunctive relief.

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12. While these passages contemplate that estoppel will be the primary situation where delay can bar an injunction, they also allow for the possibility that the facts surrounding delay can be so extreme--without establishing estoppel--as to preclude an injunction.

With respect to ongoing royalties, while the principles of equity apply, equity normally dictates that courts award ongoing royalties, despite laches. *Menendez*, an influential case contrasting laches and equitable estoppel in the trademark context, guides us here. According to *Menendez*, delay in exercising a patent right, without more, does not mean that the patentee has abandoned its right to its invention. Rather, the patentee has abandoned its right to collect damages during the delay. Equitable estoppel, on the other hand, is different--the patentee has granted a license to use the invention that extends throughout the life of the patent:

> Acquiescence, to avail, must be such as to create a new right in the defendant. . . . But there is nothing here in the nature of an estoppel; nothing which renders it inequitable to arrest at this stage any further invasion of complainants' rights. There is no pretense of abandonment. That would require proof of non-user by the owner, or general surrender of the use to the public. . . . Delay in bringing suit there was, and such delay as to preclude recovery of damages for prior infringement; but there was neither conduct nor negligence which could be held to destroy the right to prevention of further injury.

Menendez, 128 U.S. at 524-25.

Petrella also briefly considered the propriety of ongoing royalties. Although *Petrella* did not supply its reasoning, it found that, "on the facts thus far presented,

there [was] no evident basis for immunizing MGM's present and future uses of the copyrighted work, free from any obligation to pay royalties." *Petrella*, 134 S. Ct. at 1979. As did *Aukerman*, moreover, *Menendez* and *Petrella* caution against erasing the distinction between laches and estoppel. As *Petrella* stated, "the doctrine of estoppel may bar the copyright owner's claims completely, eliminating all potential remedies. The test for estoppel is more exacting than the test for laches, and the two defenses are differently oriented. The gravamen of estoppel . . . is misleading and consequent loss. Delay may be involved, but is not an element of the defense. For laches, timeliness is the essential element." *Petrella*, 134 S. Ct. at 1977 (citations omitted). For that reason, absent egregious circumstances, when injunctive relief is inappropriate, the patentee remains entitled to an ongoing royalty.

In sum, we must recognize "the distinction between . . . estoppel and laches . . . ." *Id.* (first alteration in original). Whereas estoppel bars the entire suit, laches does not. As outlined above, laches in combination with the *eBay* factors may in some circumstances counsel against an injunction. However, a patentee guilty of laches typically does not surrender its right to an ongoing royalty. *Menendez*, 128 U.S. at 523-25. Paramount in both these inquiries are the flexible rules of equity and, as a corollary, district court discretion. "[A] major departure from the long tradition of equity practice should not be lightly implied." *eBay*, 547 U.S. at 391 (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982)).

V. CONCLUSION

For the foregoing reasons, laches remains a defense to legal relief in a patent infringement suit after *Petrella*. Laches bars legal relief, and courts must weigh the facts underlying laches in the *eBay* framework when considering an injunction. However, absent extraordinary circumstances, laches does not preclude an ongoing royalty.

Finally, we reinstate the panel opinion's reversal of the district court's grant of summary judgment on equitable estoppel and adopt its reasoning. We thus remand to the district court for proceedings consistent with this opinion.

REVERSED AND REMANDED

Appendix A

Opinion for the court filed by Chief Judge PROST in which Circuit Judges NEWMAN, LOURIE, DYK, O'MALLEY, and REYNA join.

Opinion concurring-in-part, dissenting-in-part filed by Circuit Judge HUGHES in which Circuit Judges MOORE, WALLACH, TARANTO, and CHEN join.

HUGHES, *Circuit Judge*, concurring-in-part, dissenting-inpart, with whom MOORE, WALLACH, TARANTO, and CHEN, *Circuit Judges*, join.

Patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation. Today, the majority adopts a patent-specific approach to the equitable doctrine of laches. In doing so, the majority overlooks Congress' intent and Supreme Court precedent, which demonstrate that laches is no defense to a claim for damages filed within the statutory limitations period established by 35 U.S.C. § 286.

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974, 188 L. Ed. 2d 979 (2014), the Supreme Court emphasized that it had never approved the use of laches to bar a claim for legal damages brought within a statutory limitations period. The majority reasons that *Petrella* is not controlling here because Congress specifically incorporated laches as a defense to legal damages into the Patent Act of 1952. But the majority has no sound basis for finding that Congress intended to displace the uniform limitations period in § 286 with the case-specific doctrine

of laches. The majority's key logic--that Congress adopted the view of some lower courts that laches could bar legal relief in patent cases--requires us to presume that Congress ignored the Supreme Court. For in 1952, the Supreme Court had already recognized the common-law principle that laches cannot bar a claim for legal damages. I know of no precedent for inferring a congressional departure from a common-law principle recognized by the highest court based solely on aberrational lower-court decisions.

The Supreme Court has repeatedly cautioned this court not to create special rules for patent cases. In light of the Supreme Court's clear, consistent, and longstanding position on the unavailability of laches to bar damages claims filed within a statutory limitations period, we should not do so here. I respectfully dissent-in-part.[1]

I

The Supreme Court in *Petrella* held that when Congress enacts a statutory limitations period, courts cannot invoke the equitable doctrine of laches to bar claims for legal relief filed within that period. 134 S. Ct. at 1967. The Supreme Court reasoned that a statutory limitations period expresses Congress' judgment on the timeliness of a claim. *Id.* Because the statutory limitations period "itself takes account of delay," courts cannot further regulate the timeliness of a claim using the doctrine of laches. *Id.* at

1. I agree with the majority that laches is available to bar equitable relief. I therefore join Part III of the majority opinion.

1973. The Supreme Court found that the conflict between these two delay-based limitations creates a separation of powers problem, and concluded that "courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

The Supreme Court further explained that "laches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973 (citing 1 D. Dobbs, Law of Remedies § 2.4(4), p. 104 (2d ed. 1993)). This principle has a strong historical pedigree: "[b]oth before and after the merger of law and equity in 1938, [the Supreme Court] has cautioned against invoking laches to bar legal relief." *Id.* at 1973. The Supreme Court cited several of its decisions as proof, including two cases decided prior to 1952. *See id.* (citing *Holmberg v. Armbrecht*, 327 U.S. 392, 395, 396, 66 S. Ct. 582, 90 L. Ed. 743 (1946); *United States v. Mack*, 295 U.S. 480, 489, 55 S. Ct. 813, 79 L. Ed. 1559 (1935)). Although some regional-circuit cases have departed from this principle, the Supreme Court found "no case in which [the Supreme Court] has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Id.* at 1974.

Like the statute of limitations considered in *Petrella*, the statutory limitations period in § 286 of the Patent Act expresses Congress' judgment on the timeliness of claims for damages. *See* 35 U.S.C. § 286. Section 286 prohibits recovery of damages when a claim is filed more than six years after the associated patent infringement occurs,

but allows recovery of damages when a claim is filed within that six-year window. *Cf. Petrella*, 134 S. Ct. at 1973 (observing that under the Copyright Act's statute of limitations, "a successful plaintiff can gain retrospective relief only three years back from the time of suit"). I agree with the majority that, with respect to claims for damages and the conflict with laches, there is no functional difference between § 286 and a statute of limitations. *See* Maj. Op. at 17-18. The Supreme Court's decision in *Petrella*, therefore, strongly suggests that laches is not available to further regulate the timeliness of damages claims in patent-infringement cases.

To overcome this conclusion, we would have to find compelling evidence that Congress incorporated laches into the Patent Act as an additional time-bar on claims for legal damages. The Supreme Court has required clear evidence to justify inferring a congressional departure from traditional common-law principles, such as the principle recognized in *Petrella* that laches does not apply to claims for legal relief. *See, e.g., Nken v. Holder*, 556 U.S. 418, 433, 129 S. Ct. 1749, 173 L. Ed. 2d 550 (2009) (applying the "presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident"); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982) ("[A] major departure from the long tradition of equity practice should not be lightly implied."). Additionally, the Supreme Court has made abundantly clear that there must be a particular justification in the statute before this court may announce special rules for patent cases that depart from the rules for other areas

of civil litigation. *See, e.g., Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836-40, 190 L. Ed. 2d 719 (2015); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758, 188 L. Ed. 2d 816 (2014); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006).

II

The majority brushes aside the teachings of *Petrella* and finds based on vague legislative history and muddled case law that Congress intended to depart from the common-law principle that laches only bars equitable relief where a statutory limitations period applies. *See* Maj. Op. at 18-35. Two flaws pervade the majority's analysis. First, the majority interprets 35 U.S.C. § 282 in isolation, without regard to Congress' intent expressed in § 286. Second, in addition to misreading the pre-1952 cases it cites, the majority limits the scope of its review to favorable patent cases. The majority ignores Supreme Court precedent and other federal court decisions holding that laches does not bar claims for legal relief filed within a statutory limitations period. Properly analyzed, we cannot reasonably infer from the Patent Act that Congress intended to depart from this common-law principle.

A

The majority finds that Congress incorporated laches into § 282 because Congress chose to use broad language in that section; and because an executive-branch official said so. *See* Maj. Op. at 18-22. Although the majority

does not identify which particular term encompasses a defense of laches, the only possible candidates are "[n]on-infringement, absence of liability for infringement or unenforceability." 35 U.S.C. § 282(b)(1). The remaining subsections refer specifically to other provisions of the Patent Act, none of which allude to laches. *See id.* at (b)(2)--(4). First Quality and several amici argue that laches falls within the term "unenforceability" in particular.

The language in § 282(b)(1) is ambiguous at best, and contains no hint of a special version of laches that applies to legal relief within a statutory limitations period. The terms "absence of liability" and "unenforceability" do not precisely refer to any particular defenses to patent-infringement suits. Although the plain meaning of these terms does not conclusively rule out the defense of laches, it does not necessarily include a defense of laches either. The majority seems to think that the indeterminate breadth of these terms helps its case, making it more likely that laches falls somewhere within their scope, whatever that may be. *See* Maj. Op. at 18-20. But statutory interpretation cannot turn on this kind of guesswork. And even if laches were implicit in § 282, that would not be enough, for the question is whether Congress prescribed a variant form of laches in the Patent Act that applies to claims for legal relief.

The majority disregards an important tool of statutory interpretation that shows Congress did not adopt such a defense. It is a "fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall

statutory scheme." *King v. Burwell*, 135 S. Ct. 2480, 2492, 192 L. Ed. 2d 483 (2015) (quoting *Utility Air Regulatory Grp. v. Envtl. Prot. Agency*, 134 S. Ct. 2427, 2441, 189 L. Ed. 2d 372 (2014)) (internal quotation marks omitted); *see also La. Pub. Serv. Comm'n v. Fed. Commc'n Comm'n*, 476 U.S. 355, 370, 106 S. Ct. 1890, 90 L. Ed. 2d 369 (1986) (noting the "familiar rule of construction that, where possible, provisions of a statute should be read so as not to create a conflict"). Here, the statutory limitations period in § 286 informs the scope of § 282. Section 286 expresses Congress' judgment on the timeliness of damages claims: a patent owner may recover damages when a claim is filed within six years of infringement, but no later. If § 282 includes a defense of laches that applies to claims for damages, it would conflict with this judgment. Laches could bar a patent owner from recovering damages even though its claim was filed within the clearly defined six-year period established by § 286. The extent of this conflict is highlighted by the Supreme Court's reasoning in *Petrella*. Notwithstanding the additional elements of laches beyond mere delay, the Supreme Court held that laches and the statute of limitations were in such conflict that applying laches created a separation of powers problem. *See Petrella*, 134 S. Ct. at 1967, 1973. Congress' decision to create a fixed statutory limitations period in § 286 therefore strongly suggests that it did not intend to codify a defense of laches that further regulates the timeliness of damages claims.

The legislative history of § 286 further proves the point. Between 1874 and 1897, the federal patent statute did not contain a limitations period of any kind. *See Campbell v. Haverhill*, 155 U.S. 610, 613-14, 15 S. Ct. 217, 39 L. Ed. 280, 1895 Dec. Comm'r Pat. 130 (1895). Federal courts therefore relied on analogous state statutes of limitations to determine the timeliness of claims. *See id.* at 618, 620. Congress found this approach problematic, and in 1897 enacted the predecessor to § 286 to "create a uniform statute of limitations." H.R. Rep. No. 54-940, at 2 (1896); *see* Rev. Stat. § 4921 (1897).[2] If we read § 282 to incorporate the flexible, case-specific doctrine of laches as to legal damages, that section would "tug against the uniformity Congress sought to achieve." *Petrella*, 134 S. Ct. at 1975 (noting a similar conflict with the statute of limitations in the Copyright Act). Thus, to be consistent with the purpose of § 286, we cannot interpret § 282 to incorporate a defense of laches that bars legal relief otherwise permitted under § 286.

The House and Senate Reports from 1952 also contradict the majority's interpretation. Both sources explain that § 282 restates statutory defenses "in general

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2. Section 286 and its predecessor contain virtually identical language. *Compare* 35 U.S.C. § 286 ("[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."), *with* Rev. Stat. § 4921 (1897) ("But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action . ").

terms, changing the language in the present statute, but not materially changing the substance." H.R. Rep. 82-1923 at 10 (1952); S. Rep. 82-1979 at 9 (1952). This declaration shows that Congress intended to preserve what the language of the pre-1952 statutes fairly conveys. And nothing in the pre-1952 statutes suggests an authorization of laches as a bar to legal damages requested within a limitations period. The pre-1952 provision enumerating defenses applicable to an infringement suit, whether for legal or equitable relief, does not refer directly or indirectly to laches. *See* 35 U.S.C. § 69 (1946) (codifying Rev. Stat. § 4920 as amended). The provision authorizing remedies refers to "the course and principles of courts of equity" (which includes laches) in the portion addressing injunctions, but does not mention equitable defenses in the portion addressing damages. 35 U.S.C. § 70 (1946) (codifying Rev. Stat. § 4921 as amended). In the absence of any prior statutory authorization of laches as a bar to legal damages, the majority relies on pre-1952 "common law." But nothing in the legislative history reflects congressional recognition of any pre-1952 case law on the subject of laches, let alone approval of such case law as went beyond what the pre-1952 statutes authorized on their face. The key 1952 legislative history on § 282 thus runs counter to the majority's conclusion that Congress intended this section to incorporate laches as defense to legal damages.

The majority's only evidence that Congress intended to incorporate a defense of laches at all in § 282 is a lone statement in P.J. Federico's *Commentary on the New Patent Act*. But Mr. Federico's reference to "laches" does

not suggest that Congress incorporated a distinctive version of laches that, contrary to its traditional role at common law, bars a claim for legal damages filed within a statutory limitations period. This statement therefore cannot support the majority's conclusion. Indeed, the only interpretation of this statement that is consistent with § 286 is that Mr. Federico was referring to laches as a defense to equitable relief only. And in any event, an inference that Congress departed from a common-law principle could not properly rest entirely on a statement made two years after the enactment of the Patent Act by one person who, though central to its drafting, was not a member of Congress voting on the measure.[3]

In *Petrella*, the Supreme Court was presented with a similarly vague reference to "laches" in Federal Rule of Civil Procedure 8(c), which lists the affirmative defenses available in a civil action. *See* 134 S. Ct. at 1974-75. In light of the statute of limitations and the traditional role of laches, however, the Supreme Court found that this reference does not establish laches as a defense to damages claims. *Id.* So too here. Mr. Federico's lone post-hoc reference to laches is entirely insufficient as a matter of statutory construction to conclude that Congress

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3. The Supreme Court has found that a post-hoc statement, even from members of Congress, "does not qualify as legislative 'history,' . . . [and] is consequently of scant or no value" for statutory interpretation. *Graham Cty. Soil & Water Conservation Dist. v. U.S. ex. rel. Wilson*, 559 U.S. 280, 298, 130 S. Ct. 1396, 176 L. Ed. 2d 225 (2010) (discrediting a letter from the primary sponsors of the bill in Congress); *see also Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 117-18, 120, 100 S. Ct. 2051, 64 L. Ed. 2d 766 (1980).

intended to incorporate laches as a defense to claims for legal damages, particularly in light of the contrary and clear language of § 286.

B

To find that Congress intended to codify laches as a defense to claims for legal damages, the majority relies on the canon of statutory interpretation that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363, 185 L. Ed. 2d 392 (2013) (internal quotation marks omitted). But the presumption that Congress intended to retain an aspect of the common law only applies where the common-law principle is sufficiently "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991); *see also Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783, 72 S. Ct. 1011, 96 L. Ed. 1294 (1952) (explaining that Congress is presumed to retain "long-established and familiar" common-law principles). If the case law on a particular issue is conflicting, we cannot infer from Congress' silence which approach Congress intended to adopt. *Cf. Metro. Stevedore Co. v. Rambo*, 515 U.S. 291, 299, 115 S. Ct. 2144, 132 L. Ed. 2d 226 (1995) (declining to infer ratification of judicial interpretation of a statute when these interpretations were largely dicta and "were not uniform in their approach"). Here, contrary to the majority's narrow analysis of regional-circuit cases, the pre-1952 case law did not clearly establish that a plaintiff's laches may preclude recovery of legal damages.

Appendix A

1

Any analysis of what the common law was at a certain point in time must start with Supreme Court precedent. *See, e.g., Astoria*, 501 U.S. at 107-08 (relying on Supreme Court precedent for common-law rules of collateral estoppel and res judicata). For even if there were differing views in the lower courts, it would be nearly impossible to conclude that there was a uniform understanding of the common law that was inconsistent with Supreme Court precedent. In our judicial system, the Supreme Court's understanding is controlling.

Prior to 1952, the Supreme Court decided several cases holding that laches cannot bar a claim for legal relief filed within a statutory limitations period. *See Holmberg*, 327 U.S. at 395 ("If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive."); *Mack*, 295 U.S. at 489 ("Laches within the term of the statute of limitations is no defense at law."); *Cross v. Allen*, 141 U.S. 528, 537, 12 S. Ct. 67, 35 L. Ed. 843 (1891) ("So long as the demands secured were not barred by the statute of limitations, there could be no laches in prosecuting a suit upon the mortgages to enforce those demands."). Further, the Supreme Court made clear that laches is unavailable not only in an action at law, but also in a suit in equity to enjoin an action at law. *See Wehrman v. Conklin*, 155 U.S. 314, 326-27, 15 S. Ct. 129, 39 L. Ed. 167 (1894). The Supreme Court explained that a court of equity may enjoin an action at law only if the plaintiff's delay is accompanied by further conduct that meets the requirements for equitable estoppel:

> Though a good defense in equity, laches is no defense at law. If the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed. If the statute limits him to 20 years, and he brings his action after the lapse of 19 years and 11 months, he is as much entitled, as [a] matter of law, to maintain it, as though he had brought it the day after his cause of action accrued, though such delay may properly be considered by the jury in connection with other facts tending to show an estoppel.

Id.; *see also* McClintock on Equity § 28, p. 75 (2d ed. 1948) ("The majority of the courts which have considered the question have refused to enjoin an action at law on the ground of the laches of the plaintiff at law."). In sum, as noted in *Petrella*, the Supreme Court has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." 134 S. Ct. at 1974.[4]

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4. The majority implies that the Supreme Court's decision in *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893), is to the contrary. *See* Maj. Op. at 31. In that case, the Supreme Court found that laches barred a claim brought in equity. *Lane & Bodley*, 150 U.S. at 201. As the majority notes, the Supreme Court does not say whether the monetary relief barred by laches was legal or equitable in nature. And the Supreme Court decided *Lane & Bodley* before the statutory limitations period for damages claims was enacted. It therefore does not say anything about whether laches may bar a claim for legal damages governed by a statute of limitations.

Moreover, several lower courts before 1952 likewise applied this general principle in patent-infringement cases to conclude that laches does not bar a claim for legal relief. In *City of Concord v. Norton*, 16 F. 477, 477 (C.C.D. Mass. 1883), the plaintiffs filed a bill in equity to enjoin the defendant's action at law based on laches. The court held that although equitable estoppel is available to bar a claim for legal relief, laches is not. *Id.* at 480. "[F]or laches the remedy at law is found in the statute of limitations, and if that statute is inadequate there is no other remedy." *Id.* Similarly, in *Thorpe v. Wm. Filene's Sons Company*, 40 F.2d 269, 269 (D. Mass 1930), the court recognized that laches "has no application to actions at law. A plaintiff's conduct may, however, have been of such character as . . . to make it unconscionable for him to maintain it. This is estoppel and is recognized in equity as sufficient ground for enjoining an action at law."

These decisions alone defeat the conclusion that "courts consistently applied laches to preclude recovery of legal damages" prior to 1952. Maj. Op. at 28. To say that a rule was "well established" when the Supreme Court clearly and repeatedly held otherwise is to give insufficient recognition to the hierarchy of federal courts. Further, laches is a general equitable defense, not a defense specific to patent infringement. For the purposes of a common-law incorporation theory, therefore, the role of laches in other areas of civil litigation is of a piece with the role of laches in patent cases.[5] We cannot assume that Congress would

5. The majority argues that a Senate floor statement claiming that the Patent Act "codifie[d] the present patent laws," 98 Cong. Rec. 9323, justifies its narrow focus on the role of laches

have ignored Supreme Court precedent on the issue and focused solely on regional-circuit decisions in patent cases.

2

Even if we could focus solely on regional-circuit law, the cases cited by the majority do not themselves show that there was a uniformly well-established rule that laches is available to bar legal damages otherwise permitted by § 286. Nearly all of these decisions either apply laches under a misinterpretation § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity. The discussion of laches in these cases does not clearly demonstrate that in 1952 laches was available to bar a claim for legal damages in a civil action.

The majority primarily relies on two cases that address the availability of equitable relief under § 274(b) of the Judicial Code. *See Ford v. Huff*, 296 F. 652 (5th Cir. 1924); *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). Section 274(b) stated that "in all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court." Act of March 3, 1915, ch. 90, § 274(b), 38 Stat. 956

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in patent cases only. *See* Maj. Op. at 33. But unlike the doctrine of contributory infringement, a judicial doctrine expressly incorporated into the Patent Act of 1952, laches is not a patent law specific to patent cases. It is a general equitable defense to liability. Congress' codification of "patent laws" therefore does not support an assumption that Congress only looked to the application laches in patent cases, and not to fundamental equitable principles announced by the Supreme Court.

(1915). As the court in *Ford* recognized, however, § 274(b) simply eliminated procedural barriers to requesting equitable relief in actions at law--obviating the need to file separately in a court of equity--but did not change the substantive and remedial principles of law and equity. *See* 296 F. at 658 (finding that under § 274(b), "a defendant in an action at law who files a plea setting up an equitable defense is given the same rights as if he had set them up in a bill in equity"). The Supreme Court subsequently confirmed that "the procedure was simplified, but the substance of the authorized intervention of equity was not altered." *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382, 55 S. Ct. 310, 79 L. Ed. 440 (1935); *cf. Stainback v. Mo Hock Ke Lok Po*, 336 U.S. 368, 383 n.26, 69 S. Ct. 606, 93 L. Ed. 741 (1949) ("Notwithstanding the fusion of law and equity by [Fed. R. Civ. P. 2], the substantive principles of Courts of Chancery remain unaffected."). And under Supreme Court precedent, it was a substantive principle of law and equity that laches alone was not a sufficient basis for a court of equity to enjoin an action at law. *See Wehrman*, 155 U.S. at 326-27. Section 274(b) therefore does not authorize courts to bar a claim for damages in an action at law based on a defense of laches.

The holding in *Ford* is consistent with this understanding of § 274(b). The court found that the plaintiff's claim was barred under a theory of equitable estoppel, which is an appropriate ground for enjoining an action at law for damages. *See Dickerson v. Colgrove*, 100 U.S. 578, 582-83, 25 L. Ed. 618 (1879). Equitable estoppel requires a showing that the defendant relied on a misleading communication by the plaintiff that is

inconsistent with his present claim. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1041 (Fed. Cir. 1992) (en banc). The plaintiff in *Ford* had accepted payment "under circumstances calculated to lead defendant to believe or understand that such payment was accepted by plaintiff in full satisfaction and discharge of all claims by him." 296 F. at 657. Noting that "[t]he effect of one being estopped to enforce a claim is that his plight is substantially the same as it would have been if the claim had never existed," the court held that the plaintiff's action at law was barred. *Id.* at 657-58. The disposition in *Ford* thus rested on a theory of equitable estoppel, consistent with substantive equitable principles and § 274(b). *See Thorpe*, 40 F.2d at 270 (finding that in *Ford*, "while the word 'laches' is used, the decision clearly rested upon the ground of estoppel"). Any mention of laches was mere dictum, and certainly cannot be read to contradict Supreme Court precedent holding that laches does not bar a claim for damages in an action at law. *See Jama v. Immigration & Customs Enf't*, 543 U.S. 335, 351 n.12, 125 S. Ct. 694, 160 L. Ed. 2d 708 (2005) ("Dictum settles nothing, even in the court that utters it.").

The Third Circuit in *Banker*, however, took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of § 274(b). Although the court cited *Ford* for its interpretation of § 274(b), the court went further and held that this provision "authorizes equitable defenses in actions at law theretofore applicable only in equity." *Banker*, 69 F.2d at 666. The Third Circuit found that "[had] the appellant's suit been in equity, the evidence would have been ample for holding that recovery

was barred because of laches." *Id.* For support, the Third Circuit relied on cases in which courts of equity applied laches to preclude a claim for an injunction and an accounting. *Id.* But it does not follow from these cases in equity that laches may also be grounds for enjoining a claim to legal damages in an action at law. Moreover, by 1952, the Supreme Court had established that laches cannot be invoked for this purpose, *see Wehrman*, 155 U.S. at 326-27, and that § 274(b) does not change substantive principles of law and equity, *see Enelow*, 293 U.S. at 382. In light of the Third Circuit's flawed analysis, as highlighted by Supreme Court decisions, *Banker* does not support a well-established rule in 1952 that laches may preclude a claim for legal damages in patent-infringement cases, notwithstanding the statutory limitations period. Neither do the cases relying on *Banker* without discussion. *See, e.g, Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781, 781 (7th Cir. 1939).

Several other cases cited by the majority involve courts of equity barring a plaintiff's suit due to laches. In one of these cases, the precluded relief included damages. *See George J. Meyer Mfg. Co. v. Miller Mfg. Co.*, 24 F.2d 505 (7th Cir. 1928). Others applied laches to bar a request for an "accounting," which we have said was sometimes--but only sometimes--used to refer to damages. *See, e.g., Wolf, Sayer & Heller v. U.S. Slicing Mach. Co.*, 261 F. 195, 1920 Dec. Comm'r Pat. 301 (7th Cir. 1919); *Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *Union Shipbuilding Co. v. Boston Iron & Metal Co.*, 93 F.2d 781 (4th Cir. 1938); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Gillons v. Shell Co. of*

Cal., 86 F.2d 600 (9th Cir. 1936); *Window Glass Mach. Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645 (3d Cir. 1922); *A.R. Mosler & Co. v. Lurie*, 209 F. 364 (2d Cir. 1913).

These cases do not support the conclusion that laches was well understood to bar legal damages in 1952. Courts of equity had discretion to dismiss a claim on equitable grounds such as laches or unclean hands. Because the patent statute required courts of equity to award damages upon a finding of infringement, *see* Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (1870), the court's equitable discretion to reject a patent-infringement claim allowed it to bar legal damages in that equity court. But a plaintiff also had the option to seek damages in a court of law. And it was well established that, although a court of equity could refuse to grant damages itself, it could not enjoin a court of law from doing so. *See, e.g., Wehrman*, 155 U.S. at 326-27. Thus, laches could only bar a plaintiff from recovering damages in a particular forum. It was not sufficient to deny a remedy altogether.

That principle necessarily endures after the merger of law and equity. *See Stainback*, 336 U.S. at 383. In the post-merger system, therefore, prior case law applying laches to bar damages in a court of equity does not suddenly extend to all claims for damages. Plaintiffs are still entitled to damages that would have been available in a court of law, to which laches was no defense.

The majority's remaining support is minimal. *See, e.g., Brennan v. Hawley Prods. Co.*, 182 F.2d 945, 948-49 (7th Cir. 1950) (applying laches to bar all relief without mention

of the statutory limitations period, citing *Universal Coin Lock*, 104 F.2d at 781, and cases applying laches to bar relief in a court of equity). Particularly in light of the Supreme Court's repeated holding that laches cannot preclude a claim for legal damages governed by a statutory limitations period, these outliers are not sufficient to show a clear or well-established common-law rule to the contrary. To the extent that Congress codified laches, therefore, it was as a defense to equitable relief only, not as a defense to legal relief otherwise permitted under § 286.

C

The majority's policy concerns do not alter this conclusion. The majority argues that, because a copyright holder must prove a defendant's access to a work to establish infringement, potential defendants are more likely to know they are at risk of being sued. *See* Maj. Op. at 35. But innocence is no defense to direct patent infringement, and thus a defendant is less likely to be aware of its potential liability for infringement. *See id.* at 35-36. The majority argues that a defense of laches is therefore more useful to defendants in patent-infringement suits. *See id.* at 36.

The Supreme Court's decision in *Petrella* did not depend on policies specific to copyright law. It turned on the conflict between laches and a statutory limitations period, and the longstanding principle that laches cannot bar a claim for legal relief. *See* 134 S. Ct. at 1967, 1973-74. That innocence is not a defense to direct patent infringement does not make this reasoning any less applicable.

In any event, the majority's policy concerns are not the only consequences at stake. Patent owners often have good reason for delaying suit. As the Seventh Circuit observed:

> Frequently the position of the patentee (financial and otherwise) prevents the institution of suits. The patent litigation is often prolonged and expensive. Moreover from the very nature of the thing he cannot be fully cognizant of all infringements that occur throughout the length and breadth of this country. . . . Then, also, the validity of his patent and the infringement thereof may be, as here, disputed. These defenses present mixed questions of fact and law concerning which

George J. Meyer Mfg. Co., 24 F.2d at 507. Resolving these competing policy concerns is precisely the type of judgment left for Congress. Congress was well-aware of the nature of patent infringement in 1952, and it must be presumed that Congress took these concerns into account when it established the six-year limitations period for bringing a claim for damages. We should not undermine Congress' judgment in 1952 according to our own assessment of the current policy landscape.

III

The Supreme Court in *Petrella* reiterated the principle that laches does not apply to claims for legal relief governed by a statutory limitations period. The evidence of congressional intent and the pre-1952 case

law is insufficient to justify departing from this principle in patent-infringement cases. Following the Supreme Court's longstanding precedent, I read § 286 to express Congress' exclusive judgment on the timeliness of a claim for damages. Laches is not available as a further defense. Accordingly, I respectfully dissent-in-part.

APPENDIX B — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECIDED SEPTEMBER 17, 2014

UNITED STATES COURT OF APPEALS,
FEDERAL CIRCUIT.

2013-1564

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Plaintiffs-Appellants,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC. AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants-Appellees.

September 17, 2014, Decided

OPINION

HUGHES, Circuit Judge.

SCA owns U.S. Patent No. 6,375,646 (the '646 patent), which relates to certain adult incontinence products. After SCA sued a competitor, First Quality, for infringement of the '646 patent, the district court dismissed the case,

finding that SCA's claims were barred by both laches and equitable estoppel. Because the district court properly concluded that SCA's more than six-year delay in filing suit warranted dismissal based on laches, we affirm the court's grant of summary judgment in that regard. But given SCA and First Quality's limited interactions, there remain genuine issues of material fact pertaining to equitable estoppel. Accordingly, we reverse the district court's grant of summary judgment as to equitable estoppel and remand for further proceedings consistent with this opinion.

I

SCA[1] and First Quality[2] compete in the market for adult incontinence products. On October 31, 2003, SCA sent a letter to First Quality, suggesting that certain First Quality products might infringe the '646 patent. The letter stated:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites[™]. We believe that these products infringe claims of [the '646 patent].

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1. SCA refers collectively to plaintiffs-appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.

2. First Quality refers collectively to defendants-appellees First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC.

Appendix B

> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites[™] absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

J.A. 544. First Quality responded on November 21, 2003, and stated:

> As you suggested, we studied [the '646 patent] . . In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

> J.A. 547. These two communications were the only instances in which either party mentioned the '646 patent. SCA and First Quality exchanged four more brief letters over the next eight months before ceasing communications, but those letters concerned a different patent and different First Quality products.

On July 7, 2004—one day after SCA sent its final communication to First Quality—SCA filed an ex parte reexamination request for the '646 patent. SCA asked the United States Patent and Trademark Office (PTO) to review the patentability of the '646 patent in light of the '649 patent and European Patent Application No. 0187727 A2. About three years later, on March 27, 2007, the PTO confirmed the patentability of all 28 original claims and issued several new claims added during reexamination.

SCA never notified First Quality about the reexamination proceedings. According to SCA, it believed it was under no obligation to do so because the PTO provides public notice of all reexaminations. *See* 37 C.F.R. §§ 1.11(c), 1.570(f). First Quality, meanwhile, stated that it no longer considered the '646 patent "to be an issue" after making its invalidity allegations. *SCA Hygiene Prods. AB v. First Quality Baby Prods., LLC*, No. 10-cv-0122, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 (W.D. Ky. July 16, 2013) (internal quotation marks omitted).

Starting in 2006, while the '646 patent was under reexamination, First Quality began expanding its line of adult incontinence products. In 2008, after the

reexamination had concluded, First Quality acquired Covidian's Tyco Healthcare Retail Group LP and, along with it, some of the products at issue in this case. It continued its expansion in 2009 at a cost of more than $10 million.

SCA claims that it began preparing to file suit against First Quality immediately after the reexamination certificate issued in March 2007. But SCA did not file suit or otherwise contact First Quality until August 2, 2010, when it filed its complaint in this case—about six years and nine months after SCA first contacted First Quality about the '646 patent. According to SCA, it spent more than three years after the reexamination concluded implementing new business management structures, evaluating outside counsel, and examining potentially infringing products on the market.

First Quality counterclaimed for declaratory judgments of noninfringement and invalidity. After the district court's claim construction order, First Quality moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion for summary judgment as to laches and equitable estoppel and dismissed the remaining motion as moot.

SCA appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

Appendix B

II

A

Laches is an equitable defense to patent infringement that may arise only when an accused infringer proves by a preponderance of evidence that a patentee (1) unreasonably and inexcusably delayed filing an infringement suit (2) to the material prejudice of the accused infringer. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-29, 1045 (Fed. Cir. 1992) (*en banc*). If these prerequisite elements are present, a court must then balance "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability" before granting relief. *Id.* at 1034. When found, laches bars retrospective relief for damages accrued prior to filing suit but does not bar prospective relief. *Id.* at 1041.

Delays exceeding six years give rise to a presumption that the delay is unreasonable, inexcusable, and prejudicial. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337 (Fed. Cir. 1998). Under this presumption, the burden of evidentiary production shifts from the accused infringer to the patentee. *Id.*; *see also* Fed. R. Evid. 301; *Aukerman*, 960 F.2d at 1035-36. Both of these presumptions disappear if the patentee can identify evidence sufficient for a reasonable jury to conclude either that the delay was excusable or not unreasonable, or that it was not materially prejudicial. *See Wanlass*, 148 F.3d at 1337. If the patentee meets this burden of production, the accused infringer

must prove both elements of laches by a preponderance of evidence. *Aukerman*, 960 F.2d at 1045.

B

Equitable estoppel may only arise when an accused infringer shows by a preponderance of evidence that (1) a patentee, acting on the basis of accurate facts, communicated something in a misleading way, by words, conduct, or omission, to an alleged infringer, (2) on which the accused infringer relied, (3) such that he would be materially prejudiced if the patentee is allowed to assert a claim that is inconsistent with his earlier communication. *See id.* at 1041, 1046. But "even where the three elements of equitable estoppel are established, [a court must] take into consideration any other evidence and facts respecting the equities of the parities in exercising its discretion and deciding whether to allow the defense." *Id.* at 1043. When found, equitable estoppel acts as a complete bar to a patentee's infringement claim. *Id.* at 1041.

Although an equitable estoppel defense may appear similar to a laches defense when a patentee has delayed filing suit, the two defenses are distinct. For example, unlike laches, equitable estoppel requires that a "plaintiff's inaction . . . be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned." *Id.* at 1042. Moreover, equitable estoppel requires that the defendant rely, to its detriment, on the patentee's abandonment. *See id.* at 1042-43. *See also Meyers v. Asics Corp.*, 974 F.2d 1304, 1308 & n.1 (Fed. Cir.

1992). And a court may not presume that the underlying elements of equitable estoppel are present, regardless of how much time has passed. *Aukerman*, 960 F.2d at 1043.

C

The conclusion as to whether laches or equitable estoppel has been established is "committed to the sound discretion of the trial judge." *Id.* at 1028. Accordingly, we review conclusions about laches and equitable estoppel for abuse of discretion. *Id.*

But "[l]aches is not *established* by undue delay and prejudice. Those factors merely lay the foundation for the trial court's exercise of discretion." *Id.* at 1036. These two foundational inquiries are questions of fact. *See id.* at 1035 (referring to them as "the underlying factual elements" of laches); *id.* at 1038 (referring to "either factual element of a laches defense"); *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1292 (Fed. Cir. 1992) ("[Laches] ultimately turn[s] on underlying factual determinations."). Similarly, the prerequisites of equitable estoppel are "factual elements . . . on which the discretionary power of the court rests." *Aukerman*, 960 F.2d at 1043.

Because the underlying elements of laches and equitable estoppel are questions of fact, we review ultimate findings as to those elements for clear error. *See* Fed. R. Civ. P. 52(a)(6); *Knowles v. Mirzayance*, 556 U.S. 111, 126, 129 S. Ct. 1411, 173 L. Ed. 2d 251 (2009); *Sea Byte, Inc. v. Hudson Marine Mgmt. Servs., Inc.*, 565 F.3d 1293, 1304 (11th Cir. 2009). After a grant of summary judgment,

however, we review the underlying factual elements *de novo*[3] to determine whether any genuine issues of material fact remain. Fed. R. Civ. P. 56(a); *see also Wanlass*, 148 F.3d at 1337.

When a trial court mistakenly concludes that the factual elements of laches or equitable estoppel have been established and grants relief, such error constitutes an abuse of discretion in the ultimate judgment. *See Aukerman*, 960 F.2d at 1039; *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d 1017, 1022 (Fed. Cir. 1986) ("An abuse of discretion occurs when . . . the decision is based on an erroneous conclusion of law . . . [or] the court's findings are clearly erroneous."). But if such error is absent, a trial court's grant of laches or equitable estoppel can be overturned only if it represents unreasonable judgment in weighing all pertinent facts and equities. *See Aukerman*, 960 F.2d at 1039, 1043; *cf. Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006) (describing a similar fact/equity hybrid standard of review for inequitable conduct).

III

We first turn to the issue of laches. As a preliminary matter, SCA argues that *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014),

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3. We review this aspect of a court's summary judgment award under regional circuit law. *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1362 (Fed. Cir. 2008). In this case, the Sixth Circuit's de novo standard applies. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007).

"compels a finding that [*Aukerman*] is no longer good law." Notice of Supplemental Authority at 2, *SCA Hygiene Prods. AB v. First Quality Baby Prods.*, No. 2013-1564 (Fed. Cir. May 27, 2014), ECF No. 51. In particular, SCA points out that the Supreme Court has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1974.

But *Petrella* notably left *Aukerman* intact. *See id.* at 1974 n.15 ("We have not had occasion to review the Federal Circuit's position."). Because *Aukerman* may only be overruled by the Supreme Court or an *en banc* panel of this court, *Aukerman* remains controlling precedent. *See, e.g., Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1366 (Fed. Cir. 2002).

A

SCA argues that the reexamination proceedings preclude application of the laches presumptions in this case because the reexamination period should be excluded from the total delay. The district court rejected that theory. In its view, because SCA filed suit more than six years after first learning of First Quality's allegedly infringing activities, the laches presumptions applied. We agree.

Whether SCA's delay was excusable relates to the question of whether it can rebut the presumption of unreasonable and inexcusable delay, not whether the

presumption applies in the first place.[4] Because more than six years elapsed between the time SCA first learned of First Quality's allegedly infringing activities and the time SCA filed infringement claims directed to those activities, the district court properly found that the laches presumptions applied.

Accordingly, summary judgment was appropriate only if no reasonable jury could have concluded that SCA's delay was reasonable, excusable, or materially prejudicial. *See, e.g., Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1463 (Fed. Cir. 1998). We review this question under the Sixth Circuit's de novo standard. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007). If no genuine issues of material fact remain, we must also review the district court's ultimate decision to grant or deny summary judgment for abuse of discretion. *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773 (Fed. Cir. 1995); *Aukerman*, 960 F.2d at 1039.

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4. A number of cases suggest that a reasonable excuse may "toll" certain portions of the delay period for purposes of laches. But these cases are better understood as analyzing whether the purported justifications excuse the delay period. *See, e.g., Serdarevic*, 532 F.3d at 1359; *Meyers v. Brooks Shoe Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39; *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570, 1572-73 (Fed. Cir. 1987), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39.

Appendix B

1

Reasonable explanations for delay include attempts to enforce the patent, such as filing suit against another infringer or participating in post-grant PTO proceedings. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 876-78 (Fed. Cir. 1991). SCA asserts that the '646 patent reexamination proceedings provide a reasonable excuse for its delay in filing suit against First Quality.

The district court disagreed. It concluded that "SCA's stated reasons for delay in filing suit are legally insufficient to overcome the presumption of unreasonable delay." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *6. First, the court reasoned that, "[u]nder the facts of this case, notice by SCA of an intent to sue after the reexamination was required." 2013 U.S. Dist. LEXIS 98755, [WL] at *5. Second, the court "reject[ed] SCA's argument that it needed more than three years . . . to bring infringement claims against First Quality" following the reexamination. *Id.* Although we disagree that SCA was required to provide explicit notice of the reexamination proceedings to First Quality on the facts of this case, we nevertheless agree that SCA failed to rebut the presumption of unreasonable delay.

A patentee is not required in all cases to provide notice of related proceedings involving the asserted patent to show its delay was not unreasonable. *Aukerman*, 960 F.2d at 1039. For example, "[i]f a defendant is . . . aware of the [proceedings] from other sources, it would place form over

substance to require a specific notice." *Id.* Here, the PTO provided public notice of the reexamination proceedings on August 24, 2004. First Quality could have learned of those proceedings based on SCA's initial notice of the '646 patent, coupled with the PTO's subsequent notice of the reexamination. Under such circumstances, SCA was not required to provide notice of the reexamination to First Quality.

But even though SCA's delay during reexamination may have been excusable when viewed in isolation, we must examine whether SCA's delay, viewed as a whole, was excusable. The district court found that "SCA admitted that it has continuously tracked First Quality's activity since 2003 and has an entire department dedicated solely to competitive intelligence." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *5. SCA then continued to evaluate First Quality's products during the reexamination period. SCA was also represented by U.S. patent counsel when it sent letters to First Quality in 2003 and 2004 and during the reexamination proceedings between 2004 and 2007. *Id.* No evidence suggests that SCA was unable to find counsel or reinitiate contact with First Quality shortly after the reexamination ended. Moreover, "personal lack of familiarity with the patent system . . . does not excuse . . . failure to file suit." *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1360 (Fed. Cir. 2008).

Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination.

See Wanlass, 148 F.3d at 1338 ("The availability of delay based on constructive knowledge of the alleged infringer's activities imposes on patentees the duty to police their rights."); 6A Donald S. Chisum, *Chisum on Patents* § 19.05[2][a][iii] (2013) ("Many decisions in finding delay excused emphasize that the patent owner promptly filed suit after the excuse (such as other litigation) ceased."). But SCA remained silent for more than three years after the patent came out of reexamination.

Accordingly, SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay. Viewing all of the facts in the light most favorable to SCA, no reasonable fact-finder could conclude that SCA's delay, viewed as a whole, was reasonable.

2

There are two categories of prejudice in laches—evidentiary and economic. *Aukerman*, 960 F.2d at 1033. Evidentiary prejudice results when the patentee's delay hinders an accused infringer from defending against the patent suit. This may include, for example, the death of a critical witness, the dimming of memories, or the loss of documents. *Id.* "Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit."[5] *Id.*

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5. Because the district court was silent as to evidentiary prejudice and because the parties do not contest that issue here, we must assume there is no genuine factual dispute that First Quality did not suffer evidentiary prejudice. We therefore limit our discussion to economic prejudice.

Economic prejudice cannot be attributed to losses merely associated with a finding of liability for infringement. *Id.* Rather, "[t]he courts must look for a *change* in the economic position of the alleged infringer during the period of delay." *Id.* For example, "[m]aking heavy capital investment and increasing production can constitute [economic] prejudice." *Adelberg Labs., Inc. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990). But there must be a demonstrable nexus between the alleged economic prejudice and the patentee's delay. *See, e.g., Hemstreet*, 972 F.2d at 1293-94 ("It is not enough that the alleged infringer changed his position—*i.e.*, invested in production of the allegedly infringing device. The change must be because of and as a result of the delay, not simply a business decision to capitalize on a market opportunity.").

This nexus requirement does not, however, require reliance on the patentee's delay. *Asics*, 974 F.2d at 1308 n.1. "[T]he question is whether . . . prejudice *resulted from* [the] delay," *id.* at 1308, and "there is a difference between prejudice that *results from* delay and prejudice that is due to *reliance upon* delay," *id.* at 1308 n.1. Economic prejudice *results from* a patentee's delay if the financial losses at issue "likely would have been prevented by earlier suit." *Aukerman*, 960 F.2d at 1033; *accord State Contracting & Eng'g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057, 1066 (Fed. Cir. 2003); *Gasser Chair*, 60 F.3d at 775; *Asics*, 974 F.2d at 1307-08.

Here, the district court concluded that SCA failed to rebut the presumption that First Quality suffered economic harm, and we agree. First Quality made a

number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restructured its activities to minimize infringement liability if SCA had brought suit earlier.

SCA challenges this evidence by asserting that "[t]he District Court committed reversible error when it credited the self-serving, uncorroborated testimony of First Quality's witness, who was an in-house lawyer and not even a business person." Appellants' Br. 32. SCA is correct, of course, that the district court was not permitted to assess the credibility of First Quality's witnesses on summary judgment. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). But SCA may not rely solely on pleadings and speculation to create a genuine issue of material fact; it must identify particular evidence that creates such a dispute. *See* Fed. R. Civ. P. 56(c)(1); *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 587-88, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986); *Shreve v. Franklin Cnty.*, 743 F.3d 126, 132 (6th Cir. 2014).

SCA has not identified sufficient evidence relevant to this issue. SCA notes that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. SCA also relies heavily on a statement by First Quality's President, Mr. Damaghi, that "after sending [the November 21, 2003] letter this matter was never thought of again." J.A. 1171-72. Thus, SCA contends that "First Quality was motivated by a huge market opportunity and would have continued

to grow its protective underwear business regardless of when SCA filed suit." Appellants' Br. 35-36.

But Mr. Damaghi's statement that "this matter was never thought of again" does not suggest that First Quality planned to ignore the issue whether or not SCA filed suit. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 ("[W]e never heard back from [SCA], and as a result we did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (internal quotation marks omitted)). Moreover, there is no dispute that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. To suggest, based on this evidence alone, that First Quality would have continued its allegedly infringing activities regardless of when or whether SCA filed suit is pure speculation.

SCA has not identified any evidence that raises a genuine issue of material fact regarding First Quality's presumed economic prejudice.

B

SCA further contends that, even if it failed to rebut the laches presumptions, "it was an abuse of discretion for the District Court to refuse to consider the equities fully." Appellants' Br. 52. We agree that the district court should have evaluated the equities. The court seemed to treat laches as though relief was automatic so long as First Quality established the factual prerequisites of the defense. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755,

2013 WL 3776173, at *3 ("If these factors are proven, laches bars the recovery of patent damages for any time period before the suit was filed." (internal quotation marks omitted)). Our law makes clear, however, that courts should grant relief for laches only after balancing "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability." *Aukerman*, 960 F.2d at 1034; *see also Gasser Chair*, 60 F.3d at 773, 775-76.

SCA points to (1) its alleged good faith in seeking reexamination of the '646 patent, (2) the PTO's public notice of the reexamination proceedings, and (3) the fact that the PTO granted new claims during reexamination. None of these factors, however, suggest that the district court's decision to grant summary judgment of laches constituted an abuse of discretion. The district court's failure to explicitly balance the equities in its decision was therefore harmless error. *See, e.g., Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1371 (Fed. Cir. 2004).

C

SCA argues for the first time on appeal that the district court erred by applying laches to the new claims issued during reexamination and to SCA's allegations against products introduced after 2008. As a general rule, "a federal appellate court does not consider an issue not passed upon below." *Singleton v. Wulff*, 428 U.S. 106, 120, 96 S. Ct. 2868, 49 L. Ed. 2d 826 (1976); *see also Golden*

Bridge Tech., Inc. v. Nokia, Inc., 527 F.3d 1318, 1322-23 (Fed. Cir. 2008). Because SCA did not raise these issues in the district court and the district court did not rule on them, we do not consider them on appeal.

IV

We next turn to the issue of equitable estoppel and review de novo whether genuine issues of material fact remain as to the prerequisite elements. *See* Fed. R. Civ. P. 56(a); *Celotex*, 477 U.S. at 322; *Mazur*, 507 F.3d at 1016. Because there are no evidentiary burden-shifting presumptions in equitable estoppel, *see Aukerman*, 960 F.2d at 1028, 1043, First Quality possessed the burden of production.

A

The first element of equitable estoppel requires SCA to have made a misleading communication, either affirmatively or by omission, to First Quality. The district court ruled that "SCA unquestionably misled First Quality though [sic] its 2003 letter and subsequent inaction." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *9. The court focused on SCA's failure to respond to First Quality's letter addressing the '646 patent and on SCA's decision to write First Quality regarding different products and a different patent. In the court's view, "[w]hether this letter 'is viewed as a tacit withdrawal of the ['646 patent] or as misleading silence with respect to the ['646 patent], the result is the same, for it was reasonable for [First Quality] to infer that [SCA] was not continuing

the accusation of infringement as to the ['646 patent].'" *Id.* (alterations in original) (quoting *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1311 (Fed. Cir. 2010)). We disagree.

"[S]ilence alone will not create an estoppel unless there was a clear duty to speak or somehow the patentee's continued silence reenforces the defendant's inference from the plaintiff's known acquiescence that the defendant will be unmolested." *Aukerman*, 960 F.2d at 1043-44 (citations omitted); *see also Asics*, 974 F.2d at 1308-09. Although the most common example of equitable estoppel is a patentee who objects to allegedly infringing activities and then remains silent for a number of years, that silence must be "coupled with *other* factors, [such that the] patentee's 'misleading conduct' is essentially misleading inaction." *Aukerman*, 960 F.2d at 1042 (emphasis added); *see also Hemstreet*, 972 F.2d at 1295; *Asics*, 974 F.2d at 1308-09.

For example, in *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469 (Fed. Cir. 1998), the parties had been engaged in patent litigation over an older product. The accused infringer later informed the patentee that it planned to begin marketing a design-around product and stated that it "would consider the new product non-infringing unless [the patentee] advised . . . otherwise." *Id.* at 1470. The accused infringer sent samples of the new product to the patentee and sought its opinion, but the patentee never responded. During the three years that followed, the parties discussed the asserted patent at numerous meetings between high-level officials. *Id.* at

1470-71. A possible merger was even discussed. *Id.* at 1471. But, throughout that time, the patentee never suggested that it thought the accused infringer's new product line infringed. *Id.* The patentee only offered opinions about the older product line. Under those circumstances, we held that the parties' course of dealings was such that the patentee's silence amounted to misleading inaction. *Id.* at 1472.

Similarly, in *Aspex*—an opinion on which the district court relied heavily—the parties had been embroiled in a related patent litigation in the past. 605 F.3d at 1308. The accused infringer later began marketing a redesigned product similar to those that had been litigated, and the patentee threatened "to fully and vigorously enforce [its] rights" under four related patents. *Id.* (internal quotation marks omitted). In response, the accused infringer requested specific infringement contentions, but the patentee complied regarding only two of the patents. It made no reference to the other two. After three years of silence, the patentee renewed its objections with respect to one of the two patents for which it declined to provide specific infringement contentions. Under those circumstances, this court stated that "[w]hether this sequence is fairly viewed as a tacit withdrawal of the . . . patent, or as misleading silence with respect to the . . . patent, the result is the same, for it was reasonable . . to infer that [the patentee] was not continuing the accusation of infringement." *Id.* at 1311.

Compared to *Scholle* and *Aspex*, the interaction between SCA and First Quality reflected in the record is

meager. SCA and First Quality exchanged only six terse letters over a course of eight months. And only two of those letters, sent within one month of one another, referenced the '646 patent or the accused products. Unlike in *Aspex* and *Scholle*, First Quality never solicited further comment from SCA. Thus, a reasonable juror may be less likely to infer that SCA's subsequent silence misled First Quality. Moreover, the record does not suggest that the parties engaged in serious discussions involving the accused products or any related patent, let alone the '646 patent. Nor does the record suggest that SCA and First Quality had been adversaries in prior related litigations or that they held any other close relationship.

Nevertheless, First Quality maintains that SCA's silence was tantamount to an admission that the '646 patent was invalid. But "a mere verbal charge of infringement, if made, followed by silence [i]s not sufficient affirmative conduct to induce a belief that [the patentee] ha[s] abandoned an infringement claim." *Meyers v. Brooks Shoe, Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39. Here, SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence. Thus, record evidence supports a version of events that differs from First Quality's. A reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action.

Appendix B

To justify summary judgment of equitable estoppel, any inference that a patentee made a misleading communication by omission or acquiescence "must be the *only* possible inference from the evidence." *Aukerman*, 960 F.2d at 1044 . That is not the case here. Accordingly, genuine issues of material fact remain as to whether SCA made a misleading communication to First Quality.

B

Equitable estoppel also requires that material prejudice to the accused infringer be caused by his reliance on the patentee's misleading communication. *Id.* at 1028, 1041-42. In this case, the district court found that no genuine issue of material fact remained with regard to First Quality's reliance. In its view, the testimonies of Messrs. Oppenheim and Damaghi conclusively established First Quality's reliance.

There is a difference between prejudice that *results from* a patentee's alleged misrepresentation and prejudice caused by *reliance upon* it. *Asics*, 974 F.2d at 1308 n.1. Although the former is sufficient to show a nexus for laches, the latter is required to show reliance for equitable estoppel. *Id.* As *Aukerman* explained, "[t]he accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action." 960 F.2d at 1042-43.

In this case, Mr. Damaghi testified that "after sending [the November 21, 2003] letter this matter was never thought of again." J.A. 1171-72. Although this

testimony demonstrates that First Quality disregarded SCA's allegations involving the '646 patent, it does not necessarily establish that First Quality made capital investments and expanded its business in connection with SCA's subsequent silence. Mr. Damaghi's testimony acknowledges the possibility that some issues regarding the '646 patent may not have been fully resolved. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 ("[W]e did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (internal quotation marks omitted)). And even the most rudimentary due diligence by First Quality would have revealed that SCA had filed a reexamination request for the '646 patent. Thus, a reasonable juror could conclude that First Quality's reliance, to the extent it can be established, was not reasonable.

Mr. Oppenheim's testimony also fails to establish First Quality's reliance. As in-house counsel, he testified that First Quality would not have made certain capital investments had it been involved in an earlier lawsuit over those products. Although that may show a nexus for purposes of laches, it does not necessarily establish that First Quality expanded its business after considering the implications of SCA's silence.

Accordingly, genuine issues of material fact remain as to whether First Quality relied on its own opinion that the '646 patent was invalid (or simply ignored the '646 patent), rather than relying on SCA's silence. *See Gasser Chair*, 60 F.3d at 776 (reversing a judgment of equitable estoppel because the accused infringer "believed the patent was

invalid" and "paid little attention to [the patentee's] complaints"); *Hemstreet*, 972 F.2d at 1294-95 (reversing a judgment of equitable estoppel because of a complete absence of evidence that the accused infringer's actions "were in reliance upon supposed actions of [the patentee], rather than a business judgment of its own").[6]

V

We have considered the parties' remaining arguments and find them unpersuasive. Accordingly, we affirm the district court's grant of summary judgment as to laches, reverse its grant of summary judgment as to equitable estoppel, and remand for further proceedings consistent with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND REMANDED.

No costs.

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6. Having decided that issues of material fact remain as to the other elements of the equitable estoppel defense, we do not address whether First Quality suffered material prejudice. The district court may consider this element further on remand.

APPENDIX C — MEMORANDUM OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF KENTUCKY, BOWLING GREEN DIVISION, FILED JULY 16, 2013

UNITED STATES DISTRICT COURT,
W.D. KENTUCKY,
BOWLING GREEN DIVISION

CIVIL ACTION NO. 1:10CV-00122-JHM

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Plaintiffs,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants.

July 15, 2013, Decided
July 16, 2013, Filed

MEMORANDUM OPINION AND ORDER

This matter is before the Court on a motion by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and

Appendix C

First Quality Retail Services, LLC (collectively "First Quality") for summary judgment based on the doctrines of laches and equitable estoppel [DN 82, DN 83] and on a motion by First Quality for a hearing on this motion for summary judgment [DN 84]. Fully briefed, these matters are ripe for decision.

I. BACKGROUND

Plaintiffs SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively "SCA") assert that some of First Quality's pants-type disposable diapers infringe the asserted claims of U.S. Patent No. 6,375,646 and its accompanying Reexamination Certificate (collectively "the '646 Patent"). The invention described in the '646 Patent was developed by engineers at SCA's Swedish research laboratories and relates to a pants-type disposable diaper for use by both potty-training children and adults with incontinence issues. The inventors filed an initial patent application in Sweden on March 4, 1992, and the '646 Patent issued in the United States on April 23, 2002, with claims 1-28. Claims 29-38 were added during a reexamination which concluded on March 27, 2007. Claims 1 and 15 are independent claims and the remainder of the claims depend from either claim 1 or 15.

On October 31, 2003, counsel for SCA wrote a notice letter to Mr. Kambiz Damaghi, President of First Quality Enterprises, Inc. The letter provided that SCA was the owner of the patent rights of the '646 Patent, "which related to absorbent pants-type diapers . . ." (October 31, 2003, Letter, DN 83-8, DN 95-3.) The letter identified

the First Quality Prevail All Nites absorbent pants-type diapers as infringing the '646 Patent. Specifically, the letter provided:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail All Nites. We believe that these products infringe claims of the patent listed above.
>
> We suggest that you study U.S. Patent No. 6,375,646 B1. If you are of the opinion that the First Quality Prevail All Nites absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.
>
> Please provide us with your response before ***November 21, 2003***.

(*Id.* at 1.)

First Quality investigated the allegation and promptly responded to SCA's letter. On November 21, 2003, counsel for First Quality responded indicating that the '646 Patent was invalid in view of what the parties refer to as the Watanbe patent ("the '649 Patent"). Specifically, the letter provided:

Appendix C

> As you suggested, we studied U.S. Patent No. 6,375,646 B1 ("the '646 Patent"), which we understand is owned by your client SCA Hygiene Products AB. In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

(November 21, 2003 Letter, DN 95-4.) First Quality further provided that all future correspondence to First Quality should be directed to First Quality's counsel. (*Id.*) First Quality heard nothing further from SCA regarding the '646 Patent.

Five months later, on April 27, 2004, SCA sent another letter to First Quality asserting that a different First Quality Product infringed a different SCA Patent, U.S. Pat. No. 6,726,670 ("the '670 Patent"). SCA's April 2004 letter did not mention its earlier assertion of the '646 Patent. (April 24, 2004, Letter, DN 83-10.) On May 24, 2004, First Quality responded to SCA's April 27, 2004 letter, explaining that it did not infringe the '670 Patent. First Quality also referred to the 2003 correspondence relating to the '646 Patent. (*See* May 24, 2004 Letter, DN 83-11.) ("As we previously advised you in our letter of November

21, 2003, we also represent First Quality Enterprises, Inc. and, in the future, correspondence from you to [First Quality] should be directed to the undersigned."). On July 6, 2004, SCA replied to First Quality's May 24, 2004, letter disagreeing with First Quality regarding the '670 Patent, but saying nothing about First Quality's position on the '646 Patent. (July 6, 2004, Letter, DN 83-12.) On July 20, 2004, First Quality replied to SCA's July 6, 2004, letter. (July 20, 2004, Letter, DN 83-13.) First Quality received no further correspondence from SCA regarding the '646 patent.

On July 7, 2004, SCA initiated an *ex parte* reexamination proceeding in the U.S. Patent Office for the '646 Patent over the Watanabe patent. The reexamination proceeding lasted for over three years. On March 27, 2007, the Patent Office issued a reexamination certificate that confirmed the validity of all claims of the '646 Patent and added a number of new dependent claims. It is undisputed that SCA did not notify First Quality as to the existence of the reexamination proceeding, nor did SCA ever advise First Quality that SCA intended to file suit against First Quality once the reexamination was complete.

SCA filed this case on August 2, 2010, alleging that some of First Quality's pants-type disposable diapers infringe the asserted claims of U.S. Patent No. 6,375,646 and its accompanying Reexamination Certificate (collectively "the '646 Patent"). First Quality filed a counterclaim against SCA alleging claims of noninfringement and patent invalidity. The parties identified six claim construction issues contained in the '646 Patent in claims 1-11, 15-

25, 29-33, and 35-38. On December 29, 2011, the Court conducted a hearing pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S. Ct. 1384, 134 L. Ed. 2d 577 (1996). On February 10, 2012, the Court issued a Claims Construction Memorandum Opinion and Order determining the construction of the disputed claims.

First Quality has now filed a motion for summary judgment based on the doctrines of laches and equitable estoppel and a motion for partial summary judgment of non-infringement for all asserted claims, along with two related motions to exclude portions of expert testimony and reports. [DN 82, DN 83, DN 98, DN 96, DN 97]. SCA also filed a motion to exclude First Quality's expert on the issue of infringement. [DN 100]. This Opinion addresses only the motion for summary judgment based on the doctrine of laches and equitable estoppel.

II. STANDARD OF REVIEW

In order to grant a motion for summary judgment, the Court must find that the pleadings, together with the depositions, interrogatories, and affidavits, establish that there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56. The moving party bears the initial burden of specifying the basis for its motion and of identifying that portion of the record which demonstrates the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). Once the moving party satisfies this burden, the non-moving party thereafter must produce specific facts

demonstrating a genuine issue of fact for trial. *Anderson v. Liberty Lobby, Inc.* 477 U.S. 242, 247-48, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986).

Although the Court must review the evidence in the light most favorable to the non-moving party, the non-moving party is required to do more than simply show that there is some "metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Co.*, 475 U.S. 574, 586, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986). Rule 56 requires the non-moving party to present "*specific facts* showing there is a *genuine* issue for trial." Fed. R. Civ. P. 56(e) (emphasis added). "The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which the jury could reasonably find for the plaintiff." *Anderson*, 477 U.S. at 252.

III. DISCUSSION

First Quality moves for summary judgment arguing that SCA's infringement claims are barred by the doctrines of laches and equitable estoppel.

A. Laches

"The Supreme Court has long recognized the defense of laches to a patent infringement action brought in equity." *A.C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992)(citing *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893)). Laches is "defined as the neglect or delay in bringing suit

to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar." *Id.* at 1028-1029. In determining the applicability of the laches defense, the Federal Circuit has directed district courts to consider whether "(a) the patentee's delay in bringing suit was unreasonable and inexcusable," and whether "(b) the alleged infringer suffered material prejudice attributable to the delay." *Id.* at 1028 (Fed. Cir. 1992); *FMC Corp. v. Guthery*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *3 (D. N.J. April 17, 2009). If these factors are proven, "laches bars the recovery of patent damages for any time period before the suit was filed." *Lautzenhiser Technologies, LLC v. Sunrise Medical HHG, Inc.*, 752 F. Supp. 2d 988, 999 (S.D. Ind. 2010)(quoting *A.C. Aukerman Co.*, 960 F.2d at 1028).

Furthermore, "'a delay of more than six years after the omitted inventor knew or should have known of the issuance of the patent will produce a rebuttable presumption of laches.'" *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *3 (quoting *Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.*, 988 F.2d 1157, 1163 (Fed. Cir.1993)). "The presumption requires the district court to infer unreasonable delay and resulting prejudice." *Id.* This presumption can be rebutted if the patentee "raises a genuine factual issue that the delay was reasonable or excusable or offers evidence 'sufficient to place the matters of [evidentiary] prejudice and economic prejudice genuinely in issue.'" *Id.* (quoting *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008). "If the presumption is

overcome, the adverse party must affirmatively prove both elements of laches by a preponderance of the evidence." *Id.* (quoting *Church & Dwight Co., Inc. v. Abbott Labs.*, 2008 U.S. Dist. LEXIS 103519, 2008 WL 5416383, *5 (D.N.J. Dec. 23, 2008)). For purposes of laches, "the clock starts to run at 'the time the plaintiff *knew or reasonably should have known* of its claim against the defendant.'" *Lautzenhiser Technologies*, 752 F. Supp. 2d at 999 (quoting *A.C. Aukerman Co.*, 960 F.2d at 1032).

1. **Applicability of the Presumption**

The record reflects that SCA knew or should have known of its claims against First Quality no later than October 31, 2003, the date it sent the letter to First Quality regarding the '646 patent infringement claim. Because the delay in bringing the patent infringement action exceeded six years, First Quality is entitled to the benefit of the presumption of unreasonable delay and prejudice. Thus, SCA "must come forward with evidence sufficient to put the existence of these presumed undisputed facts into genuine dispute, either by showing that the delay was reasonable or that the movant did not suffer prejudice caused by the wait." *Lautzenhiser*, 752 F. Supp. 2d at 1001 (citing *Aukerman*, 960 F.2d at 1038). If SCA fails to come forward with "*either* affirmative evidence of a lack of prejudice *or* a legally cognizable excuse for its delay in filing suit," then First Quality will prevail. *Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1554 (Fed. Cir. 1996) (recognizing that plaintiff must do more than attack defendant's evidence regarding unreasonableness and prejudice, because "the defendants could have

remained *utterly mute* on the issue[s] . . and nonetheless prevailed."); *Lautzenhiser*, 752 F. Supp. 2d at 1001 (citing *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F. Supp. 1386, 1392 (E.D. Wis. 1993)(defendant must put forward "evidence sufficient to support a finding of the nonexistence of the presumed fact.")).

2. Unreasonableness of Delay

"A court must consider and weigh any justification offered by the plaintiff for its delay." *Aukerman*, 960 F.2d at 1033. Excuses that have been recognized in certain instances include: "other litigation; negotiations with the accused defendant; possibly poverty and illness in limited circumstances; wartime conditions; extent of infringement; and dispute over ownership of the patent." *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *4 (citing *A.C. Aukerman Co.*, 960 F.2d at 1033).

SCA contends that it has come forward with evidence to show a genuine factual dispute on the reasonableness of any alleged delay. Specifically, SCA maintains that its pursuit of the reexamination of the '646 patent is a reasonable excuse for any delay through 2007. SCA also contends that it was not required to provide notice of the reexamination or notice that it intended to enforce its patent upon completion of the proceeding. Further, SCA argues that the three year delay after the reexamination was reasonable because SCA was confidentially and deliberately investigating its infringement claim, including the selection of counsel. However, the Court finds none of these explanations provide "a cognizable justification for

the delay sufficient to rebut the presumption of laches." *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033633, *4.

First, SCA's involvement in the reexamination of the '646 patent does not provide it with a sufficient excuse because SCA failed to provide notice to First Quality that it intended to litigate its rights under the '646 Patent at the conclusion of the reexamination. *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *4. *See also Hall*, 93 F.3d at 1554 (finding no abuse of discretion in district court's conclusion that notice of an intent to sue after litigation was required under the facts of that case); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 877 (Fed. Cir. 1991) (holding that notice to the alleged infringer is the key to finding excusable delay and that "[f]or other litigation to excuse a delay in bringing suit, there must be adequate notice of the proceedings to the accused infringer. The notice must also inform the alleged infringer of the patentee's intention to enforce its patent upon completion of that proceeding." (internal citations omitted)).

SCA contends that such notice was unnecessary, relying on the Federal Circuit's statement in *Aukerman* that "there can be no rigid requirement in judging a laches defense that such notice must be given." 960 F.2d at 1039. While there is no "rigid requirement" of notice, the Federal Circuit in Hall addressing the same argument held that, "'[w]here there is prior contact [between the patentee and the accused infringer], the overall equities may require appropriate notice, as in *Jamesbury*.'" *Hall*,

93 F.3d at 1554 (quoting *Aukerman*, 960 F.2d at 1039 (citing *Jamesbury Corp. v. Litton Indus. Products., Inc.*, 839 F.2d 1544 (Fed. Cir. 1988)). *See Southern Grouts & Mortars, Inc. v. 3M Co.*, 2008 U.S. Dist. LEXIS 70222, 2008 WL 4346798, *5 (S.D. Fla. Sept. 17, 2008).

In the present case, there was prior contact between SCA and First Quality regarding SCA's claim that certain First Quality absorbent pants-type diapers infringed the '646 Patent. (October 31, 2003, Letter, DN 95-3.) On November 21, 2003, counsel for First Quality responded indicating that the '646 Patent was invalid in view of what the parties refer to as the Watanbe patent ("the '649 Patent"). Five months later, on April 24, 2004, SCA sent another letter to First Quality asserting that a different First Quality Product infringed a different SCA Patent, U.S. Pat. No. 6,726,670 ("the '670 Patent"). SCA's April 2004 letter did not mention SCA's earlier assertion of the '646 Patent. (April 24, 2004, Letter, DN 83-10.) At no time did SCA communicate with First Quality in any way that it was going to pursue its claims under the '646 Patent. The evidence reflects that First Quality believed the matter was closed. Under the facts of this case, notice by SCA of an intent to sue after the reexamination was required. *See Hall*, 93 F.3d at 1554; *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008)(what is important is whether the defendant had reason to believe it was likely to be sued after the proceedings concluded).

Second, SCA's stated reasons for the three year delay in bringing suit once the reexamination ended does not provide it with a legally cognizable excuse for

its delay in filing suit. The Court rejects SCA's argument that it needed more than three years to determine whether it was appropriate to bring infringement claims against First Quality. The evidence reflects that SCA had already completed its infringement analysis by October of 2003, when it sent the initial letter to First Quality. (*See* Charles Macedo Decl., Ex. 40, Kevin Gorman Tr. 27-28.) Additionally, SCA admitted that it has continuously tracked First Quality's activity since 2003 and has an entire department dedicated solely to competitive intelligence. (Macedo Decl., Ex. 18; Melissa DeMarinis Dep. 185:7-186:23; Lizelle Valdecanas Dep. 49: 4-50:5 (acknowledging that "SCA was tracking what First Quality was doing as early as October 29, 2003"); Kenneth Strannemalm Dep. 136:23-137:14.) Additionally, SCA's claim that it is a foreign company unfamiliar with litigating in the United States is likewise not a legally cognizable excuse for its delay. *See Serdarevic*, 532 F.3d at 1360. While SCA is a Swedish-based company, since 2001 all of SCA's litigation in the United States has been overseen by U.S.-based general counsel. (Gorman Tr. 32-33.) In fact, SCA was represented by patent litigation counsel, Robert Grudziecki, in 2003-2004 when it accused First Quality of patent infringement. Additionally, the attorneys from Grudziecki's firm prosecuted the reexamination of the '646 patent on behalf of SCA from 2004-2007. Thus, SCA's delay in bringing suit because of its asserted unfamiliarity with the United States patent system is belied by its earlier representation by United States based patent attorneys that sent notice letters on SCA's behalf and is not a reasonable or excusable delay.

Finally, SCA's delay caused by its search for legal counsel is likewise not sufficient to overcome the presumption. "A claimant's inability to find counsel willing to litigate [its] claim does not constitute a reasonable excuse for the delay." *Bassali v. Johnson Controls, Inc.*, 2010 U.S. Dist. LEXIS 47466, 2010 WL 1923979, *5 (W.D. Mich. May 12, 2010). *See also Serdarevic*, 532 F.3d at 1360; *Hall*, 93 F.3d at 1554 (citing *Naxon Telesign Corp. v. Bunker Ramo Corp.*, 686 F.2d 1258, 1261 (7th Cir. 1982); *Wafer Shave Inc. v. Gillette Co.*, 857 F. Supp. 112, 120 (D. Mass.1993); *Coleman v. Corning Glass Works*, 619 F. Supp. 950, 954 (W.D.N.Y. 1985)).

Thus, SCA's stated reasons for delay in filing suit are legally insufficient to overcome the presumption of unreasonable delay.[1]

3. Material Prejudice

A claimant can also rebut the laches presumption by raising a genuine fact issue regarding the absence of prejudice to the adverse party. *See FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *5 (citing *Serdarevic*, 532 F.3d at 1359-60). "Material prejudice

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1. Even if the time period during which the SCA '646 Patent was being reexamined is not considered, there was a three year delay from the reexamination before SCA took any further action. Under the facts of this case, this delay alone would support a finding of unreasonable delay without the benefit of the presumption. *See Digital Systems International, Inc. v. Davox Co.*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3 (W.D. Wa. July 1, 1993).

to adverse parties resulting from the plaintiff's delay is essential to the laches defense." *Aukerman*, 960 F.2d at 1033. Material prejudice may be in the form of either or both economic and evidentiary prejudice. *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, * 5 (D. N.J. April 17, 2009)(citing *A.C. Aukerman Co.*, 960 F.2d at 1033). "Economic prejudice occurs when the defendant 'will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit.'" *Bassali v. Johnson Controls, Inc.*, 2010 U.S. Dist. LEXIS 47466, 2010 WL 1923979, *5 (W.D. Mich. May 12, 2010)(citing *A.C. Aukerman Co.*, 960 F.2d at 1033). "Evidentiary prejudice may be established by demonstrating an 'inability to present a full and fair defense on the merits due to a loss of records, the death of a witness, or the unreliability of memories of long past events.'" *Id.* In either case, "the critical inquiry is whether the prejudice arises from the claimant's unreasonable delay in filing suit." *Id.*

SCA contends that it has come forward with evidence to rebut the presumption of economic prejudice. Specifically, SCA argues that a genuine factual dispute exists regarding a lack of nexus between the delay and the expenditures at issue. Specifically, SCA contends that there is ample evidence in the record to suggest that First Quality's capital expenditures in protective underwear lines and the acquisition of Tyco Healthcare Retail Group ("THRG") were directly related to its efforts to become a market leader in private label protective underwear, and First Quality would have made such expenditures in pursuit of its goal regardless of when

SCA brought this litigation. (SCA's Response at 23-25 (citing Moshe Opponheim Dep. 34-35).) SCA maintains that First Quality has not identified a single document that associates any business decision with any supposed delay by SCA in bringing suit or that First Quality would have acted differently had SCA sued earlier. Further, SCA contends that First Quality's maintenance of the status quo after the filing of the Complaint shows the speculative nature of its economic prejudice claims. (*Id.* at 22.) However, the Court finds none of these explanations and/or arguments provide a genuine issue of fact to rebut the presumption of laches.

First, the record demonstrates that during the seven-year delay First Quality made considerable capital investments and substantial expenditures in expanding its business. "In granting summary judgment to the alleged infringer on laches, courts usually have relied upon evidence of considerable capital investment or substantially increased sales." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1003-1004.[2] "Economic prejudice may arise where

2. *See also R2 Medical Systems v. Katecho, Inc.*, 931 F. Supp. 1397, 1411 (N.D. Ill. July 19, 1996); *Adelberg Laboratories, Inc. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990) (during delay, defendant made considerable capital investments in expanding business); *ABB Robotics*, 828 F. Supp. at 1396 (granting summary judgment where alleged infringer enjoyed three-fold increase in sales of challenged device during period of delay); *Motorola, Inc. v. CBS, Inc.*, 672 F. Supp. 1033, 1037 (N.D. Ill. 1986) (ruling that Motorola could not overcome presumption of prejudice because CBS's sales of allegedly infringing product continued and expanded while Motorola delayed in bringing suit); *Manus v. Playworld Sys., Inc.*, 893 F. Supp. 8, 10 (E.D.

a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *Aukerman*, 960 F.2d at 1033. Since 2006, First Quality purchased at least three new protective underwear lines for its King of Prussia facility alone, with its most recent line added in 2009 that cost in excess of $10 million dollars. (Macedo Decl., Ex. 36; Andrew Busch Dep. 23-24.) In 2008, First Quality purchased from Covidien, Ltd. ("Covidien") THRG which includes some of the product lines at issue in this litigation.

Contrary to the argument of SCA, while First Quality admits that it has continuously sought opportunities to expand its sales, SCA's delay in bringing an infringement action deprived First Quality of the opportunity to modify its business strategies. *Altech Controls Corp. v. EIL Instruments, Inc.*, 8 Fed. Appx. 941, 951 (Fed. Cir. 2001) (affirming summary judgment on laches defense where district court found that corporate "changes would have been structured differently had [the defendant] been aware

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Pa. 1995)(economic prejudice was shown with costs associated with increased production of accused article and marketing and capital expenditures over the ten-year delay in filing suit); 5 Chisum, *Patents*, § 19.05[2][c] (1996 Supp.) (noting there are very few cases when a lengthy period of unexcused delay escaped a laches finding because of proof of want of injury)). *See also Shell Global Solutions Inc. v. RMS Engineering, Inc.*, 782 F. Supp. 2d 317, 327-328 (S.D. Tex. 2011); *Technology for Energy Corp. v. Computational Systems, Inc.*, 1993 U.S. App. LEXIS 24556, 1993 WL 366350, *7-8 (finding economic prejudice where defendant expanded its business, including employees, sales, and research and development).

of a potential lawsuit by [the plaintiff]."); *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1004 (rejecting plaintiff's argument that the "[defendants'] expenditures were mere garden-variety ventures in the ordinary course of business, and that no evidence suggests [defendants] would have altered their conduct had [the plaintiff] filed suit earlier" because "common sense suggests that Defendants would have modified their business strategies if they came under suit for infringement.") In the present case, Moshe Oppenheim, in-house counsel for First Quality, testified that First Quality would not have invested millions of dollars in acquiring and retooling the King of Prussia facility if it was embroiled in a lawsuit with SCA relating to these products. (Oppenheim Dep. 100-101.) *See Digital Systems*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3 (granting summary judgment of laches where DSI "offers unchallenged evidence of its investment in its business and its phenomenal growth" during the delay period and noting that "[even if only a part of DSI's expansion involves equipment allegedly infringing Davies' patents, DSI has been materially injured.") Similarly, Mr. Oppenheim testified that had SCA brought suit earlier, First Quality could have structured differently its acquisition of THRG which included some of the product lines at issue in this litigation. According to Mr. Oppenheim, First Quality could have either demanded that Covidien resolve all issues with respect to SCA's claims prior to the acquisition or foregone purchase of the product lines accused of infringement. (*Id.* at 89-95 ("Q: If SCA had sued First Quality prior to the acquisition of Covidien is it your testimony that First Quality would not have acquired Covidien? A: And my answer is that that is

one potential outcome that would have come of it. Other potential outcomes, so I can just be clear, we could have walked away from the deal like we did at one point . . .[or] carved out the protective underwear portion of the deal." *Id.* at 89-90.)). In fact, First Quality walked away from its acquisition of THRG at one point, and only returned to the bargaining table at Covidien's request. (Oppenheim Dep. 14-15.) Further, Mr. Oppenheim, who was responsible for managing and structuring the THRG acquisition, testified that avoidance of intellectual property issues was a key issue in the transaction. (*Id.* at 15-17.) The record reflects that in acquiring THRG, First Quality made the acquisition based on the understanding that all of THRG's product lines had a "clean bill of health." In fact, First Quality required Covidien to settle its outstanding patent disputes with Kimberly-Clark before completing the THRG acquisition. (*Id.* at 16.) First Quality also restructured the THRG acquisition as a result of Covidien's Mexican intellectual property liability purchasing only the assets of the Mexican facility. (*Id.* at 24-25.) Thus, if SCA had sued earlier, First Quality would not have aggressively expanded its adult incontinence line of products with the purchase of new product lines and THRG. It would have likely structured the acquisition of THRG differently requiring Covidien to settle any outstanding patent disputes. "[C]ommon sense suggests that [First Quality] would have modified [its] business strategies if [it] came under suit for infringement." *Lautzenhiser Technologies*, 752 F. Supp.2d at 1004.

For these reasons, the Court finds that SCA failed to present evidence sufficient to create a genuine issue of

material fact regarding the nonexistence of the presumed material prejudice and, as a result the presumption remains intact. *See Lautzenhiser Technologies*, 752 F. Supp. 2d at 1004. First Quality's laches defense is valid and the Court will not recognize any of SCA's claims of patent infringement against First Quality prior to the date of filing its claim of infringement on August 2, 2010.

B. Equitable Estoppel

Equitable estoppel may serve as an absolute bar to a patentee's claim of infringement. *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008 (citing *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469, 1471 (Fed. Cir.1998)). The equitable estoppel bar applies when:

> a. The patentee, through misleading conduct, leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. "Conduct" may include specific statements, action, inaction, or silence when there was an obligation to speak.
>
> b. The alleged infringer relies on that conduct.
>
> c. Due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.

A.C. Aukerman Co., 960 F.2d at 1028. In contrast to laches, "'equitable estoppel focuses on the reasonableness of the

Defendant's conduct.'" *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008. "And, unlike laches, 'unreasonable delay' is not an element of estoppel and no presumption applies, meaning a party advancing an estoppel defense must prove each of the elements by a preponderance of the evidence." *Id.*

1. **Misleading Conduct**

"To prove the first element of equitable estoppel, the alleged infringer must prove that the patentee, through misleading conduct, has led the infringer to infer that it does not intend to enforce the patent." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008-1009. The patentee's misleading conduct may include specific statements, actions, inaction, or silence. *Id.* at 1009 (citing *Gossen Corp. v. Marley Mouldings*, 977 F. Supp. 1346, 1353-54 (E.D. Wis. Aug. 20, 1997) (citing *ABB Robotics*, 52 F.3d at 1063)). According to the Federal Circuit in *Aukerman*:

> The patentee's conduct must have supported an inference that the patentee did not intend to press an infringement claim against the alleged infringer. It is clear, thus, that for equitable estoppel the alleged infringer cannot be unaware—as is possible under laches—of the patentee and/or its patent. The alleged infringer also must know or reasonably be able to infer that the patentee has known of the former's activities for some time. In the most common situation, the patentee specifically objects to the activities currently asserted as

> infringement in the suit and then does not follow up for years. In *Dwight & Lloyd Sintering*, Judge Learned Hand noted that estoppel was regularly based on "no further assurance [that a known competitor would not be sued than] the patentee's long inaction." 27 F.2d at 827. There is ample subsequent precedent that equitable estoppel may arise where, coupled with other factors, a patentee's "misleading conduct" is essentially misleading *inaction*.

A.C. Aukerman Co., 960 F.2d at 1042 (quoting *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823 (2d Cir. 1928)).

SCA unquestionably misled First Quality though its 2003 letter and subsequent inaction. *A.C. Aukerman Co.*, 960 F.2d at 1042; *Radio Systems Corp. v. Lalor*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *7 (Jan. 26, 2012), *aff'd in part, rev'd in part*, 709 F.3d 1124 (Fed. Cir. 2013). It is undisputed that SCA first accused First Quality of infringing the '646 Patent in 2003. First Quality promptly responded to SCA's assertion letter in November of 2003, stating that the '646 Patent was invalid. SCA did not respond to the November letter. Instead, SCA wrote to First Quality in April of 2004 regarding a different product and a different patent. SCA did not mention the '646 Patent or the prior correspondence even after First Quality responded to SCA's second infringement assertion and referred to the earlier correspondence regarding the '646 Patent.

Appendix C

In an effort to raise a genuine dispute of fact, SCA argues that its conduct was not misleading because its October 31, 2003, letter did not threaten litigation but merely requested First Quality's "opinion" on the infringement issue. Initially, "threatened litigation is not an element of either laches or estoppel." *Digital Systems*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3. Additionally, the record reflects that prior to the October 2003 letter, SCA had completed its investigations of infringement. The letter informed First Quality that certain absorbent pants-type diapers made by First Quality infringe claims of the '646 Patent. SCA demanded First Quality's assurance that it would immediately stop making and selling such products. After reviewing the correspondence as a whole, the Court finds that the letter by SCA was reasonably viewed by First Quality as a threat of an infringement suit. *See, e.g., Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1311 (Fed. Cir. 2010)(rejecting plaintiffs' argument that its letters did not threaten suit because of the equivocal nature of the statements that its patents "may" cover some of the products, but were reasonably viewed by the defendant as a threat of an infringement suit).

Likewise, SCA's letter in April of 2004 to First Quality alleging infringement of a different patent, the '670 Patent, further supports the misleading nature of SCA's conduct. The April 2004 letter was sent five months after First Quality's response denying infringement of the '670 Patent. SCA did not mention the '646 Patent assertion at all, even after First Quality directed SCA's attention to the earlier letters. Whether this letter "is viewed as

a tacit withdrawal of the ['646 patent] or as misleading silence with respect to the ['646 patent], the result is the same, for it was reasonable for [First Quality] to infer that [SCA] was not continuing the accusation of infringement as to the ['646 patent]." *Aspex Eyewear*, 605 F.3d at 1311.

Accordingly, the Court finds that the evidence compels a reasonable fact finder to conclude that SCA engaged in misleading conduct supporting "an inference that the patentee did not intend to press an infringement claim against the alleged infringer." *A.C. Aukerman Co.*, 960 F.2d at 1042. Therefore, the first element of estoppel — misleading conduct — is satisfied.

2. Reliance

"A party invoking equitable estoppel must also prove reliance." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1009. Reliance, while not an element of laches, is essential to equitable estoppel. *Aukerman*, 960 F. 2d at 1042 (citing *Heckler v. Community Health Services*, 467 U.S. 51, 59, 104 S. Ct. 2218, 81 L. Ed. 2d 42 (1984)). "The accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action." *Id.* at 1042-1043. "Reliance is not the same as prejudice or harm, although frequently confused." *Id.* at 1043. As explained by the court in *Aukerman*: "An infringer can build a plant being entirely unaware of the patent. As a result of infringement, the infringer may be unable to use the facility. Although harmed, the infringer could not show reliance on the patentee's conduct. To show reliance, the infringer must have had a relationship or

communication with the plaintiff which lulls the infringer into a sense of security in going ahead with building the plant." *Id.*

First Quality "relied on the misleading conduct of [SCA] in connection with taking some action." *Aukerman*, 960 F.2d at 1042-43. First Quality points to its acquisition of THRG in 2008 and its purchase of additional protective underwear lines since 2006 — some of the products which SCA claims infringe the '646 Patent. Specifically, Babak Demaghi testified that First Quality continued to manufacture and sell the accused products because of SCA's inactions: "The fact that we never heard back from SCA once we sent them [the November 23, 2003] letter that you have put in front of me . . . and as a result we did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (Babak Damaghi Dep at 62.) Further, Mr. Damaghi testified as follows:

> Q: . . . [W]as there any particular point in time when First Quality began to rely on no communications from SCA with respect to conducting its business for the sale of protective underwear?
>
> A: My answer is after sending [the November 23, 2003 letter] this letter this matter was never thought of again.

(*Id.* at 63-64.) Additionally, as discussed above, Mr. Oppenheim testified that First Quality would not have invested millions of dollars in acquiring and retooling the

King of Prussia facility if it was embroiled in a lawsuit with SCA relating to these products. (Oppenheim Dep. 100-101). Similarly, Mr. Oppenheim testified that had SCA brought suit earlier, First Quality could have structured its acquisition of THRG differently either demanding that Covidien resolve all issues with respect to SCA's claims prior to the acquisition or foregoing purchase of the product lines accused of infringement. (Oppenheim Dep. 89-95.) *See Aspex*, 605 F.3d at 1311-12.

In response, SCA argues that it is conceivable that First Quality relied not on SCA's inaction, but on First Quality's own belief that SCA's '646 Patent was invalid. It is undisputed that after receiving the 2003 letter from SCA, counsel for First Quality advised SCA that after a cursory review of the prior patents he believed that '646 Patent was invalid and therefore, First Quality was not infringing upon the '646 Patent. With the exception of this letter, SCA has not cited to any testimony or internal communications indicating that First Quality actually relied on a belief that '646 Patent was invalid. Notwithstanding, "[t]he fact that [the alleged infringer] may have relied in part on [it's attorney's] advice does not negate the fact that it also relied on the patentee's apparent abandonment of [its] infringement claim." *Wafer Shave, Inc.*, 857 F. Supp. 112, 123 (D. Mass. 1993)[3] (citing

3. "To find otherwise would encourage those accused of infringement not to seek legal advice, but to rely solely on a patentee's future conduct and to have faith that such conduct will prevent the patentee from succeeding in a lawsuit. Such a practice would injure the ability of alleged infringers to protect their legal rights, and discourage the efficient resolution of accusations of

MCV, Inc. v. King-Seeley Thermos Co., 870 F.2d 1568, 1573 (Fed. Cir. 1989) (inventor's position that co-inventor did not need to be named on patent was based on reliance on both his own interpretation and plaintiff/co-inventor's silence); *Advanced Hydraulics*, 525 F.2d at 479 (reliance on patentee's misleading conduct found even though infringer had also informed patentee that infringer's internal investigation had indicated that there was no infringement). At the very least, SCA "reinforced [First Quality's] opinion through their inaction." *Radio Systems Corp. v. Lalor*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *9 (Jan. 26, 2012), *aff'd in relevant part*, 709 F.3d 1124 (Fed. Cir. 2013) (affirming district court's grant of summary judgment on equitable estoppel as it related to one patent). *See MCV, Inc.*, 870 F.2d at 1573; *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F.2d 477, 479 (7th Cir. 1975) (concluding that alleged infringer relied on patentee's misleading conduct despite the fact that the infringer had also informed patentee that infringer's internal investigation had indicated that there was no infringement). *But see Hall*, 93 F.3d at 1558; *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 776 (Fed. Cir. 1995).

Finally, contrary to the argument by SCA, First Quality does not have to prove that it would have forgone its protective underwear business entirely to satisfy the reliance element. "[T]o show reliance on [a patentee's] silence and inaction, [an infringer] need not prove

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infringement which a fully informed, well-advised person would find meritorious, or at least too risky to litigate." *Wafer Shave, Inc.*, 857 F. Supp. at 123.

precisely what alternative paths it would have taken, or that every marketing decision was based on reliance on [the patentee's] silence." *Aspex Eyewear*, 605 F.3d at 1312.

Accordingly, no reasonable fact finder could conclude that First Quality did not rely on SCA's inaction. *Radio Systems Corp.*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *9.

3. Material Prejudice

The requirement of material prejudice for equitable estoppel is identical to the requirement under laches. *See Aukerman*, 960 F.2d at 1043 ("[a]s with laches, the prejudice may be a change of economic position or loss of evidence."). "In evaluating whether economic, or business, prejudice has occurred, courts must 'look for a *change* in the economic position of the alleged infringer during the period of the delay.'" *Wafer Shave*, 857 F. Supp. at 125 (citing *Aukerman*, 960 F.2d at 1033).

As discussed above, during the seven years that SCA remained silent, First Quality suffered economic prejudice by making substantial capital investments, acquiring THRG from Covidien, and increasing its sales of the accused products. Additionally, just as the alleged infringer in *Wafer Shave*, First Quality lost the opportunity to limit its present exposure to substantial litigation costs and damages because it believed there was no longer a threat of litigation concerning the [patentee's] patent." *Id. See also Aukerman*, 960 F.2d at 1033 (noting that patentee may not "intentionally lie silently in wait

watching damages escalate . . . particularly where an infringer, if he had had notice, could have switched to a noninfringing product.") (citations omitted).

Applying these factors to the facts in the light most favorable to the non-moving party, the Court concludes that no genuine dispute of material fact exists and that First Quality is entitled to summary judgment as a matter of law on the defense of estoppel.

IV. CONCLUSION

For the reason set forth above, **IT IS HEREBY ORDERED** that the motion by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC (collectively "First Quality") for summary judgment based on the doctrines of laches and equitable estoppel [DN 82, DN 83] is **GRANTED** and the motion by First Quality for a hearing on this motion for summary judgment [DN 84] is **DENIED. IT IS FURTHER ORDERED** that all remaining motions are **DENIED AS MOOT.** A Judgment shall be entered consistent with the Opinion.

/s/ Joseph H. McKinley, Jr.
Joseph H. McKinley, Jr., Chief Judge
United States District Court

July 15, 2013